

PDKAT 492

UNCLASSIFIED

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

NICARAGUA

PROJECT PAPER

EMPLOYMENT GENERATION SUB-PROJECT  
(EGAD PROGRAM)

AID/LAC/P-589

PROJECT NUMBER: 524-0301

UNCLASSIFIED

<b>AGENCY FOR INTERNATIONAL DEVELOPMENT</b> <b>PROJECT DATA SHEET</b>	<b>1. TRANSACTION CODE</b> <input type="checkbox"/> A = Add <input type="checkbox"/> C = Change <input type="checkbox"/> D = Delete <span style="font-size: 2em; border: 1px solid black; padding: 2px;">A</span>	<b>Attachment Number</b> _____	<b>DOCUMENT CODE</b> <b>3</b>
<b>2. COUNTRY/ENTITY</b> Nicaragua	<b>3. PROJECT NUMBER</b> <span style="border: 1px solid black; padding: 2px;">524-0301</span>		
<b>4. BUREAU/OFFICE</b> Latin America and the Caribbean	<b>5. PROJECT TITLE (maximum 60 characters)</b> <span style="border: 1px solid black; padding: 2px;">Employment Generation Sub-project (EGAD Program)</span>		
<b>6. PROJECT ASSISTANCE COMPLETION DATE (FACD)</b> MM DD YY <span style="border: 1px solid black; padding: 2px;">09   19   92</span>	<b>7. ESTIMATED DATE OF OBLIGATION</b> (Under "X" below, enter 1, 2, 3, or 4) A. Initial FY <span style="border: 1px solid black; padding: 2px;">90</span> B. Quarter <span style="border: 1px solid black; padding: 2px;">4</span> C. Final FY <span style="border: 1px solid black; padding: 2px;">92</span>		

8. COSTS (\$000 OR EQUIVALENT \$1 = _____)						
A. FUNDING SOURCE	FIRST FY <span style="border: 1px solid black; padding: 2px;">90</span>			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
<b>AID Appropriated Total</b>						
(Grant)	( 10,000 )	(        )	( 10,000 )	( 10,000 )	(        )	( 10,000 )
(Loan)	(        )	(        )	(        )	(        )	(        )	(        )
Other U.S.						
1.						
2.						
Host Country						
Other Donor(s)						
<b>TOTALS</b>	10,000		10,000	10,000		10,000

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) ESE	900	900				10,000		10,000	
(2)									
(3)									
(4)									
<b>TOTALS</b>						10,000		10,000	

<b>10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)</b> 890	<b>11. SECONDARY PURPOSE CODE</b> 710
<b>12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)</b> A. Code    BU	
B. Amount	

**13. PROJECT PURPOSE (maximum 400 characters)**

To generate employment through activities designed to repair basic infrastructure.

<b>14. SCHEDULED EVALUATIONS</b> Interim    MM YY    MM YY    Final    MM YY <span style="border: 1px solid black; padding: 2px;">09   91</span> <span style="border: 1px solid black; padding: 2px;">09   92</span>	<b>15. SOURCE/ORIGIN OF GOODS AND SERVICES</b> <input checked="" type="checkbox"/> 800 <input type="checkbox"/> 941 <input checked="" type="checkbox"/> Local <input checked="" type="checkbox"/> Other (Specify) CACM
--	---

**16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a \_\_\_\_\_ page FP Amendment.)**

<b>17. APPROVED BY</b>	Signature: See attached Authorization Title: _____ Date Signed: MM DD YY <span style="border: 1px solid black; padding: 2px;">                  </span>	<b>18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION</b> MM DD YY <span style="border: 1px solid black; padding: 2px;">10   15   91</span>
------------------------	--	--

2

## INSTRUCTIONS

The approved Project Data Sheet summarizes basic data on the project and must provide reliable data for entry into the Country Program Data Bank (CPDB). As a general rule blocks 1 thru 16 are to be completed by the originating office or bureau. It is the responsibility of the reviewing bureau to assume that whenever the original Project Data Sheet is revised, the Project Data Sheet conforms to the revision.

**Block 1** - Enter the appropriate letter code in the box, if a change, indicate the Amendment Number.

**Block 2** - Enter the name of the Country, Regional or other Entity.

**Block 3** - Enter the Project Number assigned by the field mission or an AID/W bureau.

**Block 4** - Enter the sponsoring Bureau/Office Symbol and Code. (See Handbook 3, Appendix 5A, Table 1, Page 1 for guidance.)

**Block 5** - Enter the Project Title (stay within brackets; limit to 40 characters).

**Block 6** - Enter the Estimated Project Assistance Completion Date. (See AIDTO Circular A-24 dated 1/26/78, paragraph C, Page 2.)

**Block 7A.** - Enter the FY for the first obligation of AID funds for the project.

**Block 7B.** - Enter the quarter of FY for the first AID funds obligation.

**Block 7C.** - Enter the FY for the last AID funds obligations.

**Block 8** - Enter the amounts from the 'Summary Cost Estimates' and 'Financial Table' of the Project Data Sheet.

**NOTE:** The L/C column must show the estimated U.S. dollars to be used for the financing of local costs by AID on the lines corresponding to AID.

**Block 9** - Enter the amounts and details from the Project Data Sheet section reflecting the estimated rate of use of AID funds.

**Block 9A.** - Use the Alpha Code. (See Handbook 3, Appendix 5A, Table 2, Page 2 for guidance.)

**Blocks 9B., C1. & C2.** - See Handbook 3, Appendix 5B for guidance. The total of columns 1 and 2 of F must equal the AID appropriated funds total of 8G.

**Blocks 10 and 11** - See Handbook 3, Appendix 5B for guidance.

**Block 12** - Enter the codes and amounts attributable to each concern for Life of Project. (See Handbook 3, Appendix 5B, Attachment C for coding.)

**Block 13** - Enter the Project Purpose as it appears in the approved PID Facsheet, or as modified during the project development and reflected in the Project Data Sheet.

**Block 14** - Enter the evaluation(s) scheduled in this section.

**Block 15** - Enter the information related to the procurement taken from the appropriate section of the Project Data Sheet.

**Block 16** - This block is to be used with requests for the amendment of a project.

**Block 17** - This block is to be signed and dated by the Authorizing Official of the originating office. The Project Data Sheet will not be reviewed if this Data Sheet is not signed and dated. Do not initial.

**Block 18** - This date is to be provided by the office or bureau responsible for the processing of the document covered by this Data Sheet.

PROJECT AUTHORIZATION

Name of Country: Nicaragua  
Name of Project: Emergency Employment Generation Sub-  
Project of the Economic Growth and  
Development Program (524-0301)  
Number of Project: 524-0301

1. Pursuant to Section 531 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Emergency Employment Generation Sub-Project of the Economic Growth and Development Program for Nicaragua involving a planned obligation of not to exceed \$10,000,000 in ESF Grant funds over a two year period from the date of obligation, subject to the availability of funds in accordance with the A.I. D. OYB allotment process. The planned life of the project is two years from the date of initial obligation.

2. The Project will generate employment at the municipal level throughout Nicaragua by funding labor intensive repair and rehabilitation of basic urban infrastructure. It will create at least 20,000 jobs during its two year life.

3. The Project Grant Agreement, which may be negotiated and executed by the officers to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

a. Source and Origin of Commodities

Except as A.I.D. may otherwise agree in writing, commodities financed by AID under the sub-Project shall have their source and origin in the United States, Nicaragua and Central American Common Market countries.

b. Conditions Precedent

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

(i) a statement of the name and a specimen of the signature of the person holding, or acting in, the office of the Minister of the Presidency of Nicaragua. If an additional project representative is also desired, the the identification and

4X

signature of this person is also required.

(ii) an opinion of counsel acceptable to A.I.D. that the the Project Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Grantee, and that it constitutes a a valid and legally binding obligation of the Grantee in accordance with all of its terms.

(iii) Submission to A.I.D., in a manner satisfactory to A.I.D., of detailed financial and contracting procedures of the sub-Project implementing entity, the National Institute for Municipal Development (INIFOM).

c. Nicaragua shall covenant

(i) to establish an evaluation program as part of the sub-Project. Except as the Parties may otherwise agree in writing, an evaluation will take place approximately nine months from the date of authorization or prior to the consideration of any increase in LOP funding, whichever may occur first, and shall include:

(a) evaluation of progress toward attainment of the objectives of the sub-Project;

(b) identification and evaluation of problem areas or constraints which may inhibit such attainment;

(c) assessment of how such problems may be overcome; and

(d) evaluation of the development impact of the sub-Project.

(ii) that at least forty percent (40%) of all sub-Project resources received by any municipality will be for costs associated with unskilled and skilled labor.



Janet Ballantyne  
Mission Director  
USAID/Nicaragua

drafted by: PDIS: JCloutier 

clearances:

OFIN: R Layton 

PROG: T Amari 

DDIR: K Schofield 

**EMERGENCY EMPLOYMENT GENERATION SUB-PROJECT**  
**of the Economic Growth and Development Program**  
**(524-0301)**

**TABLE OF CONTENTS**

	page
Executive Summary	
I. Background and Rationale-----	3
II. Sub-Project Description-----	4
III. Implementation Arrangements -----	7
IV. Institutional Arrangements-----	11
V. Financial Plan-----	14
VI. Conditions and Covenants-----	17

**ANNEXES:**

- A. GON Request for Assistance
- B. Action Memo for Immediate Impact Activities PID
- C. Initial Environmental Examination/Threshold Decision
- D. Institutional Analysis
- E. Municipal Programming Strategy
- F. SOW for Architectural and Engineering Firm
- G. SOW for PSC Project Manager

## EXECUTIVE SUMMARY

The Emergency Employment Generation sub-Project is a component of the Immediate Impact Activities (IIA) Project, an umbrella of eight activities selected to provide a quick response to Nicaragua's overwhelming needs for assistance in various sectors. The IIA PID was approved by AA/LAC on August 16, 1990. Its largest component was the proposed Emergency Employment Generation sub-Project, which, with a planned LOP of \$10 million, is intended to finance an immediate employment effort to respond to an unemployment level approaching 30%, through the rehabilitation of infrastructure using private sector contractors. In approving the PID, AA/LAC determined that the Emergency Employment Generation sub-Project required additional project development and directed that a Project Paper-like document be prepared for approval at the USAID level.

The goal of the Immediate Impact Activities Project is to assist Nicaragua in renewing economic growth and meeting development needs. The purpose of this sub-Project is to utilize a portion of Nicaragua's unemployed to work on the repair of basic urban infrastructure. The sub-Project will provide employment to thousands of skilled and unskilled laborers in Managua and in dozens of participating communities throughout the country. In doing so, it will complement the GON's overall economic reactivation program, as well as alleviate a critical national problem.

The sub-Project will be implemented through the National Institute for Municipal Development (INIFOM). Created as an autonomous branch of the Ministry of the Presidency, INIFOM represents Nicaragua's 143 municipalities. Working closely with the municipalities, INIFOM will execute contracts with private sector entities for repair and maintenance of local infrastructure. INIFOM will receive technical assistance to ensure adequate technical and financial administration of sub-Project resources.

A Project Grant Agreement will be signed with the Ministry of the Presidency for \$10 million for a two year period. Implementation guidelines for approval of municipal level activities and operating procedures will be formalized by INIFOM with USAID concurrence.

The summary sub-Project budget is as follows:

A&E Firm	\$300,000
Audit (concurrent)	100,000
IQC (financial)	50,000
IQC (municipal start-up TA)	40,000
PSC Project Manager	150,000
Evaluation	60,000
Employment Generation Contracts	9,100,000
Contingencies	200,000
<b>TOTAL</b>	<b>\$10,000,000</b>

## I. SUB-PROJECT RATIONALE AND BACKGROUND

During the 1980s, the Nicaraguan economy experienced massive deterioration. Unemployment increased to disturbing levels. Demobilization and a reduction in the size of the Armed Forces of Nicaragua have removed the military as an absorber of unemployment. With the arrival of the Chamorro Government, thousands of additional Nicaraguans are returning, adding further competition for scarce jobs. Finally, some short-term negative impact on employment from the new economic recovery program of the GON is inevitable. The result is the current serious combination of inflation and unemployment.

At the same time as it tries to recover, the Nicaraguan economy has inherited seriously deteriorated basic infrastructure. While infrastructure deterioration or disappearance is nation-wide, it is most noticeable in the urban areas. At present, existing vital infrastructure such as roads, communication, storm drainage and sewer systems, as well as social services infrastructure, are in such disrepair that immediate interventions are required to salvage what has not already been rendered useless.

Throughout Nicaragua, most preventive and regular maintenance of infrastructure has been deferred for years. Infrastructure rehabilitation is an immediate priority for two other reasons. First and foremost, the condition of certain infrastructure will have a direct impact on the ability of other recovery activities to have their intended impact. Secondly, with unemployment so high and consumer purchasing power eroding at the current rate of 40 percent per month, deterioration of infrastructure and general lack of services can only add to the problems of social stability in the country.

Ten years of a "statist" approach to the economy and military mobilization have caused normal civil governmental functions and capacities to atrophy. More importantly, private sector activity--near bankruptcy and collapse-- has been the exception rather than the rule during the previous government. Resuscitation and strengthening of the currently moribund private sector must also be a high priority in all elements of the economic recovery strategy.

The government of Nicaragua has expressed its interest in an Employment Generation Program to bolster its efforts to promote economic growth by targeting selected areas for economic assistance and activity. High levels of unemployment throughout the country signal one of the most important areas for government attention. Basic infrastructure in the country's major urban centers need to be repaired and rehabilitated so that deterioration of vital basic services can be reduced and delivery of such services to the communities can be improved. This is of great importance to the new GON to demonstrate its ability to respond to the needs of the community and to provide such services under a free market economy.

8x

In targeting private sector entities, the Emergency Employment Generation sub-Project will help to revitalize what once was a very active and productive private sector. It is one of eight activities of the Immediate Impact Activities PID authorized in AID/W on August 16, 1990.

The GON presented its assessment of the urgent need for such an effort in its June 1990 presentation to the Donors Conference in Rome. Its macroeconomic stabilization program aimed at the central problem of inflation is directly addressing the government spending problem as a main cause. However, it simultaneously stressed the urgent need to address the large and growing unemployment and underemployment problem in Nicaragua. There is, therefore, basic consensus that any employment generation program-- if it is to be non-inflationary -- must perforce be financed externally in order to maintain the reduced government spending program required for the macro-economic stabilization effort. It is unlikely that, despite considerable other donor willingness to provide assistance to Nicaragua, any major other donor financing will be available in the immediate time-frame required.

If efforts at national economic stabilization and recovery are to be successful, the GON economic program must begin to demonstrate some immediate effects. The disastrous combination of inflation and joblessness cannot continue if the GON is to achieve the reconciliation and confidence it seeks. At the same time, basic infrastructure must be reestablished, not only to demonstrate the new Government's ability to provide required services within a free-market economy, but also to assure that simultaneous and subsequent financial support programs attain their objectives. The rationale for the Emergency Employment Component is to help begin the process of economic stabilization and reactivation through the generation of new employment opportunities and the resurrection of the private sector construction industry and related commerce.

## II . SUMMARY SUB-PROJECT DESCRIPTION

The overall goal of the Immediate Impact Activities portion of the Economic Growth and Development (524-0301) Program is to assist Nicaragua in beginning to renew economic growth and meet development needs. To achieve the overall goal, selected areas for immediate economic stabilization and recovery must be assisted. As a result, the Emergency Employment Sub-project has three complementary project goals: a) the generation of employment; b) the reactivation of the moribund construction and associated industries; and c) the repair, maintenance, rehabilitation or replacement of the nation's deteriorated social and economic infrastructure.

The purpose of the Emergency Employment Sub-project is to utilize a portion of Nicaragua's unemployed to work on the repair of basic infrastructure. To achieve the sub-project purpose, private sector entities will be utilized for virtually all rehabilitation, repair and maintenance and other project activities.

The initial task for USAID was to identify a national institution with a network of regional offices which could develop labor-intensive, small-scale, public infrastructure projects in local communities and supervise the financing and implementation of these projects. After an analysis of existing organizations, the Instituto Nacional de Fomento Municipal (INIFOM) was selected to manage the program for the various benefitting municipalities throughout the country. The Municipality of Managua will participate as a key prime municipal participant, and is likely to receive up to 40% of project resources. Initially the Municipality of Managua is likely to utilize resources more quickly than other areas since it has a relatively more developed institutional capability and already has nearly \$2.5 million in project proposals.

In terms of project structure, the Managua municipality will have the same arrangement as other municipalities with INIFOM. INIFOM is the implementing agency for the sub-Project under the Ministry of the Presidency (MOP), which is the grantee for the sub-Project. INIFOM will receive funds from USAID and, after agreed upon procedures are followed, will approve projects for Managua and other participating cities. It is recognized that Managua, as the largest city and capital of Nicaragua, containing one third of all citizens, has an immediate need for resources and has political justification for a large role in the project. Discussions with Managua municipal officials at all levels indicate that its Office of Investment Projects (Direccion de Inversiones) is capable of promoting project activities, reviewing and selecting from competing proposals and, can monitor progress. Like other participating municipalities, Managua will benefit from the technical assistance of the architectural and engineering firm and short term municipal assistance to be funded by the project.

Since the elections, INIFOM and 120 of the 143 municipalities in Nicaragua-- including the City of Managua-- have entirely new administrations and virtually no institutional memory, systems or procedures. In the immediate term, this may limit start-up to Managua and to cities where INIFOM has already established regional offices. In addition, INIFOM's constituency of 143 municipalities spans almost the entire country. Therefore, it is proposed that the Emergency Employment Generation sub-project begin operations in those cities where INIFOM and local municipal institutional strength is the greatest and, therefore, where activities can be initiated expeditiously. Therefore, project activities will begin immediately upon the availability of funds for projects already approved in Managua, Matagalpa, Juigalpa, Granada, Leon and Esteli. The early

phase of the project is of utmost importance because of immediate employment needs, high public expectations for the Government's Recovery program, and some degree of apprehension about the possible negative impacts of a macroeconomic stabilization program. The result is an urgent need for a visible employment complement to the overall stabilization effort.

At project initiation, the emphasis of project activities will be on extremely simple activities, from technical and administrative points of view, for which specific activity planning is either minimal or already completed.

As the project progresses, and if experience determines feasible, it will concentrate on relatively more complicated activities or those requiring additional planning. However, activities will continue to require fast and easily doable designs. It will also entail expansion of the geographic area of coverage.

In similar employment generation projects in countries such as Panama and El Salvador, it has been determined that the most attractive targets for investment in employment generation are small work projects which require little or no design or preconstruction preparation. These also tend to have the greatest impact of employment generation per dollar expended. Given the depressed state of infrastructure and the need for immediate action, this appears to apply to the employment situation in Nicaragua. Thus, emphasis will be placed on maintenance, rehabilitation and upgrading of existing basic infrastructure rather than on new construction.

Typically, work projects of the proposed sub-project will include such projects as: 1) rehabilitation of urban roads and related drainage improvements which will enhance transportation and communication essential to industry and commerce; 2) local water supply and sewerage systems which respond to basic health needs; and 3) rehabilitation of public markets, health clinics, and schools.

In anticipation of start-up, dozens of projects have already been proposed from Managua and other municipalities. The projects consist primarily of public works projects designed and proposed by various municipalities but heretofore not implemented due to lack of resources. Both INIFOM and the Municipality of Managua have been encouraged to design (or elicit) additional simple projects, such as sanitation and area clean up, which could be implemented immediately. More sophisticated projects, such as road repair will be implemented as soon as adequate plans are completed. Projects to be funded will be urban, simple in design, and will involve rehabilitation of basic infrastructure. The following is illustrative of projects proposed to date by INIFOM and the Managua municipality.

- Drainage
- Potable water maintenance

- Sewage maintenance
- Drainage system maintenance
- Marginal area clean-up
- Potable water system in outlying areas
- Gutter repair
- Street repair
- Drainage system maintenance/repair
- Road widening
- Access road repair
- Retention wall repair
- Road bridge repair/maintenance
- School repair
- Recreation facility repair/maintenance
- Municipal market repair

Although the total number of temporary jobs created will not be precisely known, it is estimated that at least 20,000 jobs will be created under this project. This translates into approximately 1,500 persons working in the program at any one time. The average municipal project will employ approximately 50 to 100 workers over 8 to 10 weeks, although projects in Managua are likely often to be larger. Projects will range from \$10,000 to \$100,000 as a rule, with larger projects (likely only in Managua) requiring USAID approval.

### III. IMPLEMENTATION ARRANGEMENTS

#### A. Sub-Project Implementation Activities

Sub-Project management activities will be carried out on two levels: 1) National Policy and Program Management; and 2) Regional/Municipal Program and Project Management.

##### 1. National Policy and Program Management.

The initial steps in project implementation at the national level are:

- a) establish an account for the Emergency Employment Generation sub-Project in the Central Bank of Nicaragua;
- b) establish within the INIFOM a Project Management Unit and write procedures for administrative/financial and technical management;
- c) review qualifications of A&E firms and select one on a non-competitive basis (full and open competition will be waived so that start-up can be immediate)
- d) review qualifications of accounting/auditing firms and select one

on a non-competitive basis (full and open competition will be waived so that start-up can be immediate)

e) prepare and review work project profiles, action plans and bid documents;

Due to the inexperience of INIFOM with these types of activities and the demands that this project will place on its administrative and logistical systems, it will be necessary to fund equipment for INIFOM's operations. These items will be funded under AID's Public Sector Commodity sub-Project, whose purpose is to procure equipment for GON government offices.

Although INIFOM is operational and relatively institutionally developed, the establishment of operating procedures that are both acceptable to USAID and that will respond to the need for immediate action will require the provision of assistance. A USAID funded PSC will oversee project activities, be based at INIFOM, and will work closely with the A&E and accounting firms. The PSC must have project management experience. Annex G contains an SOW for this position. The A&E firm will be responsible for establishing a system for the review of proposals received by INIFOM, including criteria for their review, monitoring progress and verifying to INIFOM (and USAID) that work has in fact been completed and additional funds are warranted. See Annex F for a draft Scope of Work for the A&E firm. A IQC accounting firm will be contracted to set up a financial monitoring system within the projects management unit at INIFOM. A separate long-term contract will be established with a second accounting firm to conduct a concurrent financial audit of the overall sub-project.

## 2. Regional/Municipal Program and Project Management

The initial steps in project implementation at the regional/municipal level are:

a) disseminate guidelines and procedures for municipal program and project preparation and implementation activities and conduct workshops in each region to orient municipal officials.

b) provide intensive assistance to the seven most important intermediate size municipalities in preparing employment generation programs, establishing internal management responsibilities and procedures and in preparing profiles for highest priority projects.

c) develop a regional implementation strategy and plan for supporting smaller municipalities.

A IQC contractor will be employed to provide short-term assistance to INIFOM's regional engineers in providing intensive support to the seven most important intermediate-sized municipalities. This regional and municipal level assistance will be procured through an

IQC arrangement with a firm such as Research Triangle, Urban Institute, or Planning and Development Collaborative, all of which have current IQCs in this area. In addition, the Central American Institute for Business Administrator (INCAE) is available to assist INIFOM in planning and implementing regional orientation workshops on sub-project procedures and training seminars on strategic program planning and administration of small projects through its regional Cooperative Agreement under an A.I.D.-financed project with CABEI (596-0143).

### B. Obligation Mechanism

A Handbook 3 Project Grant Agreement between A.I.D. and the Ministry of the President will be signed. The Project Agreement will describe the overall activities to be supported by the Project and INIFOM will be designated as the national level implementing entity.

### C. Project Selection Criteria

The following will be used in reviewing and approving emergency employment generation projects.

1. In general, only work projects with more than 40 percent labor/total cost ratio will be financed. Municipalities will be able to submit projects that do not meet the 40% criterion only if other projects in the same municipality will have a labor content high enough to maintain the overall labor content average to 40%. The overall target for labor costs will be 50%. Work projects with highest labor content will generally be given priority.

2. Work projects which require little or no preconstruction design or consulting work will receive priority.

3. Development priority and socio-economic benefits of proposed projects will be considered. Projects which meet the two criteria above but do not further development or yield long-term economic benefits must not dominate the activities of the sub-Project. Such Projects will be kept to a minimum.

The first criterion is mandatory, the second is especially critical during the early phases of sub-Project implementation when activities must commence rapidly, and the third will be of continual concern during the life of the sub-Project.

### D. Procurement Plan

USAID/N will procure the services of a PSC Project Manager. Technical assistance services will be contracted directly by USAID/N on a non-competitive basis due to the compelling urgency to initiate this employment program as quickly as possible. Such

**assistance will include:**

a. Two IQC contractors employed at project start-up. The first will be an accounting firm which will set-up INIFOM's administrative and financial procedures and monitoring systems. The second will be in the area of municipal development to provide program/project planning services in those municipalities where the sub-Project will begin first.

b. Two long-term sustained support contracts will be required in the areas of: 1) technical systems support and monitoring (Local A & E firm) and 2) an accounting firm to conduct a concurrent audit of project activities.

In addition, municipal training support could be accessed from INCAE (the Central American Institute for Business Administration) through its cooperative agreement funded by CABEI's Shelter and Urban Development Program. This assistance would include orientation seminars for municipal officials and regional resident engineers, as well as other assistance and guidance on how to most efficiently utilize INIFOM's employment resources.

**E. Monitoring and Evaluation Arrangements**

The results of the concurrent audit and reports of the A&E firms and the PSC will provide USAID necessary information for continuous monitoring of project activities. The PSC reports will detail progress to date and highlight problems. Employment reporting will be disaggregated by gender. In addition, an external evaluation will be conducted prior to a Project Paper Amendment which would increase the authorized LOP funding level. Such an evaluation would be corrective in nature, making recommendations on how the project should be revised based on experience to date. The evaluation will include but not be limited to the quality of INIFOM's management of AID resources, the adequacy of the system used by each municipality in the screening and selection of employment generation projects, statistical information on the number of persons benefiting from the assistance, type and quality of projects, projected demands and impact on employment, and the degree of success in accomplishing overall objectives and goals.

**F. Environmental Guidelines**

Annex C contains the IEE for the Emergency Employment Generation sub-Project with a negative determination. The determination includes environmental guidelines to be utilized by INIFOM and participating municipalities during the review process for all proposed projects. To ensure a clear understanding of and adherence to these guidelines a local professional will be contracted by the A&E firm.

**G. Host Country Procurement**

As described below, INIFOM will contract directly with private sector companies for infrastructure repair/rehabilitation. GON contracting procedures require the prequalification of firms and selection from that list, without formal competition. All contracting will be in accordance with A.I.D. Handbook 11. Procedures for approval of contracts exceeding \$100,000 will be the subject of a project implementation letter. The private sector contractors will supply local commodities for basic infrastructure rehabilitation and repair. It is not practical for this procurement to be from the U.S. since it will entail small purchases involving perhaps hundreds of contractors. The GON has requested that procurement for the private sector contractors be local, and given the urgency of this employment program, U.S. foreign policy interests would best be met by allowing the most expeditious procurement arrangement permissible. Therefore, the authorized geographic code for the sub-Project will be 000 and member countries of the Central American Common Market.

## V. Institutional Arrangements

-----

### A. INIFOM

The GON identified the Nicaraguan Institute for Municipal Development (INIFOM) as the implementing agency for the Project. A special Management Unit will be set up under the direct guidance and supervision of INIFOM's Executive Director who, in effect, will assume direct management responsibility for the Unit as the program begins to evolve.

INIFOM, through its Project Management Unit (MU) will have basic responsibility for promoting and developing the Program, and will manage and implement the Program's activities within the parameters and in compliance with the guidelines and requirements of both the GON and AID. INIFOM has already begun to staff the MU. In addition to the Director the existing staff includes a civil engineer, a project analyst and a financial analyst.

With technical assistance, INIFOM will define and formalize the general technical, financial and operational guidelines and procedures of the MU, as well as eligibility requirements and selection criteria. INIFOM will be responsible for disseminating these general norms and parameters with the municipalities and other potential participants, identifying needs and gaps at this level related to project identification, design, implementation, and management, and arrange and coordinate technical assistance to be provided. INIFOM will also promote the use of the program resources for the purposes intended and periodically revise and update the priority areas for increased municipal participation and use of funds.

INIFOM will perform construction supervision to assure that projects

16x

are complying with manpower contracting requirements and with technical plans and specifications. INIFOM will second or contract the necessary staff for the MU.

INIFOM will set up a payment file for each contract. INIFOM, with help from the A & E firm will check the payments files, as appropriate on a sample basis, to verify that invoices were properly prepared and agreed with the contract terms. The A & E firm will assist INIFOM in carrying out carry out field checks to verify that work billed was performed.

#### B. Regional Resident Engineers

INIFOM has obtained budgetary support from the Central Government sufficient to fund Regional Resident Engineers (RRE) to be assigned to each of the six principal and the three special regions in which the country has been divided. Four of these Regional Resident Engineers have already been appointed and occupy office space provided by the Ministry of the Interior Regional Delegates. All of the Regional Resident Engineers assigned to Regions VI, V, I, and II have new vehicles assigned to them by INIFOM.

RRE's will be supported by a business administration expert, an accountant, and possibly a project analyst (all funded by INIFOM). The main function of RRE will be to channel communications between municipalities and INIFOM and coordinate their activities in the Region. These regional units will be of vital importance to the development of the program activities, by promoting among the municipalities of the region the uses of Project funds, disseminating knowledge about the Project parameters and requirements, and identifying needs and gaps at the municipal level related to project identification, design, implementation, and management and recommending actions to address those needs and gaps. RRE's will also be instrumental in coordinating program related activities between the municipalities and INIFOM and in providing technical approval based on site visits and inspections. The responsibility for identifying and pre-qualifying local contractors will be shared by INIFOM through its RREs and respective mayors of each of the municipalities in each region.

#### C. Municipalities

The municipalities are principal vehicles for generating ideas for activities contemplated under the sub-Project, with support provided directly by INIFOM or through the services available through the A & E firm. The municipalities will receive guidelines for the operations of the overall sub-Project, including eligibility requirements and selection criteria. They will identify projects and prepare preliminary information on: a) investment requirements; b) estimated time for project completion; c) expected products and potential beneficiaries; d) labor generation potential; e) possible counterpart contribution by project beneficiaries; and f) possible

17

pre-qualified contractors. Municipalities will ensure adequate day to day supervision and inspection services, either through in-house means or through the private sector contractors, and will have such arrangements reviewed and approved by INIFOM's regional resident engineers, with assistance from the A & E firm.

#### D. Other Government Entities

Non-municipal government agencies are likely to directly request sub-Project resources. All such requests for activities, which will likely come from ministries such as Health and Education, must be referred to the individual municipalities where such proposed projects are located.

#### E. USAID

Within USAID/Nicaragua, the Emergency Employment Sub-project will be managed by the PSC Project Manager who will report directly to the Supervisory Project Development Officer (SPDO). The SPDO will approve operational guidelines and procedures of the project management unit within INIFOM. The PSC Project Manager will oversee the work of the A&E and accounting firms and will provide internal USAID reports on project activities.

The Personal Services Contractor will act as liaison with AID and to provide support and assist INIFOM in all matters related to project development, including the role and the participation of the municipalities and other agencies. The PSC will provide the principal means for communication and coordination between the Management Unit (MU) and USAID, and, in conjunction with the A&E firm, will assure that application of procedures and selection criteria is on a reasonable and consistent basis.

#### F. Architectural and Engineering (A&E) Firm

The A&E firm will assist INIFOM in the following: 1) the design of operational systems, procedures and criteria for project preparation review and approval 2) receipt of work project proposals which meet the project selection criteria outlined above; 3) preparation of work project profiles; 4) preparation of bid documents when necessary; 5) oversight of bidding the awarding of contracts; 6) preparation of documentation for advances of funds to mobilize contractors; 7) help oversee monthly progress payments to contractors, monthly liquidations and prepare requests for periodic replenishment of funds; 8) oversee the municipalities' supervision of contractors during the construction phase; 9) conduct final inspections of concluded work projects; 10) approve work projects which meet the previously agreed upon plans, costs, specifications and contractual terms or reject work projects which are deficient and request remedial action; and 11) approve final disbursements to contractor. Although the A&E firm will play a major role in helping

18X

INIFOM to perform the above tasks, especially early in project implementation when the MU is becoming operational and gaining experience, INIFOM as the grantee (through MOP) is ultimately responsible to USAID for ensuring that all these tasks are completed in a manner satisfactory to USAID.

#### G. Private Sector Contractors

The private sector contractors will provide the materials, equipments, tools, fuels, transportation and other requirements of the work projects. The contractors will participate in public bidding, contract local laborers, procure equipment, tools and other items needed for repair, and will implement work projects. They will receive funds for mobilization costs through INIFOM (per HB 11 Chapter 15), make payrolls, prepare cash flows and liquidate/replenish funding advances on a monthly basis. All repair/rehabilitation will be in compliance with local building codes and national design standards.

#### H. Office of Inspector General

The Office of the Regional Inspector General, based in Tegucigalpa, will provide supervision for the non-Federal concurrent audit, in conjunction with the USAID Controller. These AID offices will also receive reports from the IQC which will set up initial financial operations. INIFOM progress on implementing recommendations from the concurrent audit or any problems concerning financial affairs will be closely monitored.

### VI. Financial Arrangements/Plan

The total estimated cost of the initial phase of this sub-Project is \$10.0 million, of which \$9.5 million (95%) is estimated to cover local currency costs and the balance of \$460,000 (5%) is to cover the foreign exchange requirements of the sub-Project. Because of Nicaragua's present economic crisis, host country contributions are not being requested under the sub-Project. Such a contribution is not required since, when ESF funds are utilized, Section A-110 of the Foreign Assistance Act states that the standard 25% contribution is not applicable. As Nicaragua's economy stabilizes and more resources become available for financing development assistance activities, host country financial input will be requested.

The sub-Project funding period will be from September 1990 through September 1992. The following is a breakdown of funding by Project and local currency and foreign exchange costs:

Project Elements	AID Contribution in US \$000		
	FX	LC	TOTAL
Employ. Gen. Activities	-0-	\$9,100.0	\$9,100.0
Technical Assistance			
A&E	-0-	300.0	300.0
Proj. Coordin. and Mgt	\$150.0	-0-	150.0
Financial and Contracting	50.0	-0-	50.0
Municipal Development	40.0	-0-	40.0
	240.0	300.0	540.0
Evaluation	60.0	-0-	60.0
Audit	100.0	-0-	100.0
Sub-Total	400.0	9,400.0	9,800.0
Contingency	60.0	140.0	200.0
Sub-Project Total	460.0	9,540.0	\$10,000.0

The \$9.1 million provided under the Employment Generation activities element of the Project will serve to finance public works projects designed and proposed by municipalities. The cost of each project is estimated to range between \$10,000 and \$100,000. Projects over \$100,000 will require USAID approval prior to funding.

It is estimated that \$540,000 will be required for technical assistance. This includes approximately 50 person months of Nicaraguan contractors and at least ten person months of U.S. contractors. This element will assist INIFOM in management, control and oversight responsibilities.

The \$60,000 for evaluation will cover the evaluation to be conducted prior to initiating a PP Amendment to increase LOP funding (described above in the Monitoring and Evaluation section)

The sub-Project will also fund up to \$100,000 of the non-Federal audit activities under the Dire Supplemental Appropriations Act which allocated \$300 million to assist the new government of Nicaragua to stabilize its economy. These funds will be committed directly by AID with no further approvals required from the host government. All non-Federal audit activities will be managed and supervised by RIG/Honduras.

Expenditures under the \$10.0 million sub-Project are expected to occur in the following manner:

Project Element	(in US dollar millions)			
	90	91	92	Total

20x

Employ. Gen. Activities	0-	7.3	1.8	9.1	91
Technical Assistance	.1	.3	.1	.5	5
Evaluation and audit	-0-	.1	.1	.2	2
sub-total	.1	7.7	2.0	9.8	98
Contingency	-0-	.2	-0-	.2	2
sub-Project Total	.1	7.9	2.0	10.0	100

All funds for employment generation will be managed directly by INIFOM, while technical assistance and evaluation will be managed by USAID/Nicaragua.

INIFOM will ensure sound contracting procedures and practices, and for cash management and fiscal control over all employment generation funds. These requirements include but are not limited to prudent selection and award of all contracts, detailed accounting and reporting on cash receipts, cash outlays and expenditures (per contract). Forms to be used and procedures to be followed will be those established by USAID and communicated via project implementation letter(s)

The systems for contracting, internal controls and accounting within INIFOM will be designed and established by an IQC chosen by AID. Until these systems are in place and functioning properly, no disbursements other than for technical assistance will be made by USAID.

To provide senior host government officials of INIFOM and AID with assurance that adequate contracting and financial management practices are exercised in handling resources provided, a pre-award survey of INIFOM's management capabilities and concurrent non-Federal audits will be performed under an IQC supervised by RIG/Honduras.

The establishment of in-house capabilities, both contracting and accounting, will be closely monitored and evaluated by USAID.

In regard to recurrent costs, INIFOM has agreed to continue supporting the employment generation efforts after AID's assistance is terminated to the degree its resources will permit. The level of coverage of future recurrent costs will depend on the needs as the project nears its PACD.

The methods of Implementation and Financing for this sub-Project are:

Project Element	Method Implement	Financing	in US \$000- Total
Employ. Gen. Activities	HC/Cont	HC Reimb	\$9,100.0
Technical Assistance			
A&E	AID/Dir	Dir-Pay	300.0
Proj. Coordin/Mgt.	AID/Dir	Dir/Pay	150.0
Financial/Contracting	AID/Dir	Dir/Pay	50.0

Municipal Development	AID/Dir	Dir/Pay	40.0
Evaluation	AID/Dir	Dir/Pay	60.0
Audit	AID/Dir	Dir-Pay	100.0
sub-Total			9,800.0
Contingency	n/a	n/a	200.0
sub-Project Total			\$10,000.0

## VI. Conditions and Covenants

### A. Conditions

Prior to disbursement under the Grant for other than AID Direct contracting for technical assistance and project management, or the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the GON will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

1. An opinion of counsel acceptable to A.I.D. that the Project Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms;
2. A statement of the name of the person holding or acting the Office of the Minister of the Presidency, and of any additional representatives, together with a specimen signature of each person;
3. Evidence, in a manner satisfactory to A.I.D., that INIFOM's financial and contracting procedures are adequate.

### B. Covenants

1. The GON covenants that at least 40% of the sub-Project resources to be given to each municipality will be used for costs of skilled or unskilled labor
2. The GON will establish an evaluation program as part of the sub-Project.

22

**EMERGENCY EMPLOYMENT GENERATION SUB-PROJECT**  
**of the Economic Growth and Development Program**  
**(524-0301)**

**ANNEXES**

- A. GON Request for Assistance**
- B. Action Memorandum for Immediate Impact Activities PID**
- C. Initial Environmental Examination**
- D. Institutional Analysis**
- E. Municipal Programming Strategy**
- F. Draft SOW for Archetectural and Engineering Firm**
- G. Draft SOW for PSC Project Manager**



ANNEX A  
MINISTERIO DE LA PRESIDENCIA

# 9

Al contestar referirse a:  
MP-240-90

Managua, 6 de Septiembre de 1990.

Señora  
JANET BALLENTINE  
Directora de la AID en Nicaragua  
Su Despacho.

Estimada Señora :

Por este medio, y en nombre del gobierno de Nicaragua, estamos solicitándole el financiamiento para el Proyecto de Generación de Empleo por la cantidad inicial de \$ 10.000.000.- (DIEZ MILLONES DE DÓLARES).

Dicho Proyecto consistiría en el financiamiento de Proyectos, a través de las Alcaldías, que vayan destinados a la reparación y funcionamiento de infraestructura económica y social, con un alto porcentaje del costo total del proyecto en mano de obra.

Agradeciéndole de antemano su atención a la presente, y su colaboración, le saludo.

Date Recd: 09/13/90	
C & R Section	
USAID/C-5's Files	
	Act. Info.
PROJ	
TRK	
ACT	
INFO	
PU	
PROG	
GDD	
TU	
ACT II	
EAJ	
CONT	
CA	
AS	
VS	

CN/aca

09/24/90

Atentamente,

  
ING. ANTONIO LACAYO O.  
MINISTRO DE LA PRESIDENCIA



MINISTERIO DE LA  
PRESIDENCIA

**AGENCY FOR INTERNATIONAL DEVELOPMENT**

WASHINGTON, D.C. 20523

ANNEX B

AUG 16 1990

**ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR, LAC**

**FROM:** Elena Brineman, LAC/DR (Acting) *EB*

**SUBJECT:** Nicaragua -- Economic Growth and Development Program (524-0301)

**Action Requested:** That you approve the attached \$31.5 million PID-like document for Immediate Impact Activities under the Economic Growth and Development Program for Nicaragua.

**Background:** On April 6, 1990 A.I.D. submitted a Congressional Notification for the Economic Growth and Development Program (524-0301), an umbrella program whose purpose is to assist Nicaragua in addressing immediate development needs and renewing economic growth. The program consists of seven areas: an immediate impact component (IIA), a health component, an economic policy planning and public administration component, a democratic initiatives component, a private sector component, an education component and an agricultural production component. The immediate impact activities to be initiated during FY 1990 are listed below:

<u>Immediate Impact Activities</u>	<u>Amount (\$000)</u>	<u>Estimated Initial Obligation</u>	<u>Location of Obligation</u>
1) Medicines	1,500	Sept., 1990	AID/W
2) Secondary School Textbooks	7,000	Sept., 1990	AID/W
3) Public Sector Support	5,000	August, 1990	Field
4) Employment Generation	10,000	August, 1990	Field
5) Community Hospitals	2,500	August, 1990	AID/W
6) Primary Textbooks	5,000	June, 1990	AID/W
7) Assessment/University Books	200	June, 1990	AID/W
8) Technical Assistance/Training	1,100	June, 1990	Field
<b>TOTAL</b>	<b>\$32,300</b>		

*254*

Under this umbrella program, you have already authorized three activities within the IIA component (the activities for primary school textbooks and a feasibility study on university textbooks under the RTAC II project for \$5.2 million, and a 2.5 million dollar activity with Project HOPE to improve health services in rural Nicaragua). You also provided program concurrence for the Mission to authorize a \$1.1 million agreement with INCAE to assist and train the Government of Nicaragua (GON) in the development of plans to restructure the public sector. Thus, four of the above eight activities remain to be authorized.

Discussion: In order to respond to a number of important initiatives in Nicaragua during the remaining two months of the fiscal year, the following Immediate Impact Activities must soon be authorized. Documentation proposed for authorization is noted in parentheses.

- 1) An amendment to a PASA with the U.S. Public Health Service to provide \$1.5 million in essential medicines (Action Memo and PIO/T Amendment buy-in);
- 2) A \$7.0 million contract amendment with Aguirre International under the RTAC-II project for secondary school textbooks (Project Paper Amendment, Action Memo, PIO/T -buy-in);
- 3) A \$5 million bilateral grant with the GON for essential commodity support to the public sector (PP-like document in the field);
- 4) a \$10 million bilateral grant to the GON for emergency employment generation (PP-like document in field);

According to Handbook 3, the remaining four activities would normally require the development of PIDs and Project Papers for project activities. However, Handbook 3, Chapter 4 guidance provides for exceptions to the general project documentation system in recognition of political, timing and emergency factors associated with some ESF-funded activities. The Economic Growth and Development Program does not have one overall PID but rather a PID-like document to cover only the \$32.3 million of Immediate Action Activities already identified for initiation during this fiscal year. The PID-like document is attached to this memoranda. All other activities described in the CN for Project 524-0301 will be designed during FY 1991 as separate projects with different project numbers and with separate design documents.

Consistent with Handbook 3, Chapter 4, it is proposed that activities 1 and 2 be authorized through buy-ins on the basis of action memoranda and PIO/T scopes of work. It is proposed that activities 3 and 4 be authorized by the USAID/Nicaragua Mission Director based on the development of PP-like documents

In the field. The Director has authorization authority under D.O.A. No. 752.

Attachment I identifies program components, proposed modes of authorization, the parties responsible for actions, and the anticipated timing of authorization.

Congressional Notification: A Congressional Notification was sent to Congress on April 6, 1990. The hold on the Notification was lifted with passage of the Supplemental Appropriations Act on May 25, 1990.

Country Checklist: The FY 1990 Country Checklist is included as an Annex to the attached PID-like document for the Immediate Impact Activities.

Initial Environmental Examination: An Environmental Threshold Decision for a Categorical Exclusion for all but the Employment Generation Activity was issued on July 31, 1990. The determination for the Employment Generation Activity was deferred until development of its PP-like Document by USAID/Nicaragua. The Environmental Threshold Decision is an Annex to the attached PID-like document.

Authority: Delegation of Authority No. 400 provides Regional Assistant Administrators the authority to authorize project and non-project assistance if the activity does not present significant policy issues, does not require the issuance of waivers that must be approved by the administrator, or does not have a life-of-project in excess of ten years.

Recommendation: That, by signing below, you approve the attached \$32.3 million PID-like document including the proposed plan for authorizing activities under the project.

Approved JAM

Disapproved \_\_\_\_\_

Date August 16, 1990

Attachment I: ECONOMIC GROWTH AND ACTIVITIES PROGRAM (524-0301)  
Immediate Impact Activities PID-like Document

JF

ANNEX C

INITIAL ENVIRONMENTAL EXAMINATION

Project Location : Nicaragua  
Project Title : Nicaragua Emergency  
Employment for Recovery  
(NER) Sub-Project  
Project Number : 524-0301  
Funding : \$10 million  
Life of Project : Two years  
IEE Prepared by : Roger Cornavaca, PADCO  
Matthew Auer, USAID/PRE/E  
Recommended Threshold Decision : Negative Determination

Comments: A negative determination is recommended with the provision that the procedures in the initial environmental examination are followed. In summary these are that each activity receive an environmental review that evaluates the particular site specific circumstances of each activity, that mitigations addressing the environmental concerns arising from each activity are developed and implemented, and that a process is developed for establishing accountability and for evaluating the success in implementing proper environmental procedures in EER activities. Given the nature of the activities proposed, if the procedures recommended in the IEE are followed, EER should not have a significant harmful effect on the environment.

 Date Sept 13, 1990  
Mr. Kenneth G. Schofield  
Acting Mission Director  
USAID/NICARAGUA

28x

## I. BACKGROUND

During the 1980s, the Nicaraguan economy experienced serious dislocations including massive unemployment and more recently, spiraling inflation. The Chamorro government has inherited these problems from the past regime and must negotiate the additional dilemma of having to find work for demobilized army personnel as well as thousands of Nicaraguans returning to the country. Compounding these socio-economic problems is the dilapidated condition of the nation's infrastructure; this latter phenomenon is particularly acute in urban areas.

Nicaragua's economic plight demands the immediate attention of the donor community, and in this vein, USAID/NICARAGUA will recommend authorization of a two year, \$10 million grant to the Government of Nicaragua (GON) under the Emergency Employment for Recovery (EER) Sub-project of the Economic Growth and Development Program. This sub-project intends to provide immediate generation of employment as well as the rehabilitation of infrastructure in urban areas.

USAID has selected the Instituto Nacional de Fomento Municipal (INIFOM) as the grantee. INIFOM was organized and began operations in July of 1989 and has a staff of 44 professionals including engineers, architects, public administrators, economists, sociologists, financial analysts, accountants, and lawyers. The current president, executive director and vice director of INIFOM were appointed by the Chamorro government; however, these appointments are temporary. Within 18 months, a new governing hierarchy will be established with a president, a council of directors (composed of some 34 mayors and 6 appointees of the President of the Republic), and a director. The president of INIFOM will be elected by the council from its membership.

INIFOM will receive funds from USAID and will authorize disbursements to participating municipalities, including the Municipality of Managua. The municipalities, with the assistance of INIFOM, will review and select project proposals and will monitor their progress; INIFOM will act only as an adviser in project selection. The municipalities will receive technical assistance from an architectural and engineering (A&E) firm to be funded by the project. The A&E firm will also assist INIFOM in the review of submitted projects.

As of August 20, 1990, INIFOM had received some 21 project proposals from various municipalities.

## II. BRIEF PROJECT DESCRIPTION

The overall goals of EER are three-fold: a) to generate employment, b) to rehabilitate the moribund construction and associated industries, and c) to repair, maintain, rehabilitate or replace the nation's deteriorated economic infrastructure. USAID/NICARAGUA will provide funding for sub-projects that fall into any of the following five categories:

- 1) Clean-up of urban areas. Clean-up entails the removal and disposal of weeds, domestic garbage, and larger, durable rubbish including automobile frames. Such wastes currently clog streets, storm-water channels and other urban areas.
- 2) Rehabilitation and repair of streets and embankments.
- 3) Drainage infrastructure repair, including the reconstruction or replacement of inlet drains, man-holes, storm pipes, culverts and channels, and small sewerage lines.
- 4) Improvement of water supply services through the construction of extensions to existing water distribution supplies.
- 5) Repair of municipal buildings, other structures (e.g. bridges), and properties for public recreation.

## III. POTENTIAL ENVIRONMENTAL IMPACTS/CONSEQUENCES

Potential environmental impacts and consequences are discussed within the context of the five activity areas. Recommendations for avoiding potentially adverse environmental impacts are developed in the Environmental Review Guidelines. It must be emphasized, though, that while general guidelines are helpful, they can not identify all significant environmental concerns associated with the circumstances of a specific activity. The implementers of EER must be aware of this, able to identify site specific environmental concerns, and able to develop and implement appropriate environmental mitigations.

- 1) Clean-up Activities. Abandoned lots with garbage and other wastes harbor rodent and insect vectors and are unsafe for recreational uses. These same lots represent illegal storage areas for stolen goods, and are used as dumping sites for garbage, scrap metals and other organic and non-organic rubbish. Storm-water channels alongside roads become clogged with residential garbage and vegetation. City streets are repositories for abandoned vehicles and other rubbish. The clean-up of urban areas, and removal and disposal of wastes are expected to have positive environmental impacts. Clean-up of lots will improve sanitary conditions, e.g. through the removal of rubber tires which retain water and are breeding areas for mosquitoes. Clean-up of such lots

provide better visibility for vehicular traffic and improve aesthetics. Waste-removal from drains and streets improves circulation of storm run-off systems and reduces insect and other vectors. In general, garbage removal leads to improved sanitation.

Potential adverse environmental consequences of waste disposal can be avoided by proper siting of waste landfills. Most importantly, care must be taken to site landfills away from densely populated or otherwise commonly used areas and receiving bodies of water, including lakes, estuaries, rivers or drinking water sources. The landfill must not add to the degradation of the surrounding environment, e.g. through leaching.

A planning exercise is necessary before the landfill is sited; consultation with the A&E firm in choosing the appropriate site and in constructing the landfill itself is strongly advised. Recommendations for siting are developed in the Environmental Review Guidelines. These recommendations are provided only as a reference, and should not substitute for the A&E firm's recommendations on siting and construction of specific landfills.

Separation of wastes are also discussed in the Environmental Review Guidelines. In clearing lots, consideration of topography must be made so as to avoid excessive erosion of top-soil layer and consequent clogging of drains and sedimentation build-up in run-off waters.

## 2) Rehabilitation and Repair of Streets and Embankments

Repair and improvement activities of streets will take place on existing roads and will not include the construction of new roads. Repair work will have positive socio-economic and environmental impacts by reducing dust, reducing damages to vehicles, reducing insect breeding grounds (e.g. potholes), and increasing villagers' access to markets.

Potential adverse environmental impacts include increased traffic and noise. Without adequate precautions, the rate of erosion may accelerate. Recommendations for erosion control are made in the Environmental Review Guidelines.

## 3) Drainage Infrastructure Repair and Rehabilitation

Improvements to culverts, inlets, manholes, storm run-off drains, side channels, and sewerage provide positive environmental impacts by reducing storm flooding, eliminating insect-vector breeding grounds, and in general, by complementing the environmental benefits derived from the clean-up activities described in category #1.

Drainage repair and reconstruction can lead to erosion problems if completed in the absence of specific control measures. Integrated

drainage infrastructure repair must be undertaken, i.e. concurrent repair and reconstruction of the various elements of the total drainage system. Recommendations for integrated drainage improvements are provided in the Environmental Review Guidelines.

An adverse impact on the environment could be anticipated if raw sewage were discharged into receiving bodies of water.

Adverse environmental consequences can emerge if significant quantities of drainage waste waters enter directly into receiving bodies of water. Recommendations for assessing impacts of waste water on receiving water bodies are developed in the Environmental Review Guidelines. Methods for mitigation of waste waters are also discussed.

#### 4) Improvement of Water Supply Services

Water supply improvement includes the extension of the existing distribution network to additional communal standpipes and/or households, and eventually, to the distribution lines that go from the water supply source to the existing network. Positive social and environmental consequences of water supply extension include improved sanitation and hygiene and time-saving by having closer or more direct access to water.

Improved water services can lead to adverse environmental impacts if they are not accompanied by improved waste-water drainage. There must be increased water drainage capacity to accommodate increased water use. Parallel drainage improvements are also important to prevent waste-water from mixing with human excreta. Recommendations for proper waste-water drainage are discussed in the Environmental Review Guidelines. Improvements to water supply services can lead to increased demands on water and may stress the existing water supply source and/or adversely affect the quantity and quality of the water received by original water supply users. Public education to promote conservative and sustainable use of water must be provided with improved water access. Finally, water supply extension may lead to adverse environmental health consequences if it only succeeds in expanding the supply of contaminated water. Drinking water should be potable at its originating source and its terminus or it should be properly filtered/treated en route. Contamination may take place in the distribution system of a poorly constructed water supply network, e.g. through leaky pipes.

#### 5) Repair of Municipal Buildings, other Structures, and Recreational Areas

Repair activities will take place on small public buildings and recreational areas in the municipality of Managua and in secondary cities. Schools and markets are among the structures to be

22X

improved. Road bridge repair is also included.

Environmental and socio-economic benefits include reduced dangers to occupants from crumbling and dilapidated structures, and elimination of rodent vectors.

Wastes should be sorted according to their non-hazardous and hazardous nature. Hazardous wastes must be separated and properly stored. Environmental Review Guidelines address the proper disposal of hazardous wastes. Occupational safety precautions must be made for laborers who engage in renovation activities or in the removal of wastes in buildings, e.g. in handling and disposing of asbestos.

#### IV. THRESHOLD DECISION, RECOMMENDATIONS, AND the ENVIRONMENTAL REVIEW PROCESS

The developers of the IEE recommend a negative determination for the environmental threshold decision. The negative determination is recommended with the provision that each activity receive an environmental review that takes into account the particular site specific circumstances of each activity, that mitigations addressing the environmental concerns arising from each activity are developed and implemented, and that a process is developed for establishing accountability and for evaluating the success in implementing proper environmental procedures in EER activities. Given the nature of the activities proposed, if the procedures recommended in the IEE are followed, EER should not have a significant harmful effect on the environment.

The Environmental Review Guidelines in the attached annex provide a check-list of potential environmental impacts related to the five activity areas identified above, and also include a series of recommendations for addressing such impacts. It must be reiterated, though, that guidelines can not a priori identify all significant environmental concerns created by the particular circumstances associated with each specific activity. The guidelines are provided only as a reference, and can not substitute for activity/site-specific environmental reviews and the development of appropriate environmental mitigations.

The A&E firm, either through its own offices or through its identification of an office with appropriate environmental skills and functions, is responsible for identifying competent officials within each participating municipality to complete the check-list portion of the Environmental Review Guidelines and identifying the additional/site-specific environmental concerns associated with each activity under EER. The A&E firm will also be responsible for assuring that adequate environmental mitigations are developed and implemented. If the municipalities and the firms contracted to do the work lack the professionals capable of performing the

environmental procedures above, then training will be required. This will provide the opportunity to develop host-country capabilities in addressing environmental concerns, a valuable contribution for EER to make. AID funds should go to teach local officials and contractors about the potential adverse impacts of infrastructure repair and construction activities, and the proper mitigations needed. The A&E firm or INCAE might serve as an appropriate training institution.

To establish accountability and a process for reviewing the implementation of environmental procedures it is recommended that the A&E firm, or the office it identifies, be responsible for: 1) preliminary on-sight inspection of any proposed activity to assess the quality of the municipality's environmental examination and proposed mitigations, 2) environmental monitoring of the progress of all approved activities to assure that project implementation is sensitive to the environmental concerns raised in each activity's preliminary environmental examination, and 3) final environmental inspection at the activity's end to determine compliance and success of environmental mitigations.

As part of establishing accountability and assuring adequate evaluation of compliance and the execution of environmental sound activities, a specific individual should be identified who will be responsible for supervising and reviewing the implementation of the above procedures. Preferably this individual should be a host-country national. A host-country national filling this position will contribute to developing host-country capabilities. It is also essential that all evaluations of Nicaragua Emergency Employment for Recovery include a review of this sub-project's success in implementing the recommended environmental procedures and in executing environmentally sound activities.

**ENVIRONMENTAL REVIEW GUIDELINES**

**for the Emergency Employment for Recovery (EER) Sub-Project**

The following document is separated into two parts. The first section is composed of recommendations to enable municipalities to assure that adverse environmental impacts of proposed activities are avoided and/or mitigated. The second section provides the institutions responsible for the environmental review of each activity a common reference for review procedures, assessment and follow-up. It must be emphasized, though, that these guidelines and recommendations while helpful as references can not identify a priori all significant environmental concerns that will arise from the particular circumstances associated with each individual activity. The implementers of EER must be aware of this, able to identify site specific environmental concerns, and able to develop and implement appropriate environmental mitigations.

**I. Recommendations for the Mitigation/Avoidance of Adverse Environmental Impacts**

The following recommendations are separated into the five activity areas identified in the IEE of the Emergency Employment for Recovery Sub-Project document. Each activity area is defined and the potential adverse environmental impacts identified. After each adverse environmental impact, recommendations for action are made.

**A. Clean-up Activities**

Clean-up activities include the removal and disposal of weeds, vegetation, and various organic and non-organic wastes. Areas to be cleaned include urban streets, lots, storm-drain channels and other municipal properties.

**Potential Adverse Impact:**

- 1) Potential for increased erosion exists. For example, if abandoned lots are cleaned of vegetation, soil loss will increase, especially during storms. Drainage areas may be clogged with increased soil erosion. Sedimentation may accumulate in the ultimate recipient of the run-off waters.

**Recommendation:** Actions may be required to prevent excessive erosion. Protection of lots by preservation or replanting of selected flora, particularly around lot fringes, will prevent erosion. Plants can be chosen for anti-erosive as well as aesthetic properties.

**Potential Adverse Impact:**

2) Potential exists for leaching from landfills, and associated adverse environmental impacts on surrounding environment.

Recommendation: Absolute care must be taken in siting of landfill. Landfill location should avoid heavily populated areas, commonly used properties, drinking water sources and surface water bodies. Precautions must be made to prevent leaching of effluents from waste sites. Bottom and wall linings of landfill should be composed of impermeable materials. In lieu of expensive liners, impermeable or non-porous local materials may suffice. Consultation with INIFOM and the designated architectural and engineering firm is highly recommended.

**Potential Adverse Impact:**

3) Hazardous waste removal and disposal. Hazardous wastes, if improperly handled and disposed, may lead to adverse consequences to public health and the natural environment. Hazardous wastes include automobile battery acid and dry battery acids, gasoline and other petroleum products, and some effluents from industries.

Recommendation: Hazardous wastes must be identified and separated from other wastes and disposed of in strong, impervious containers. In the best case scenario, the hazardous waste should be neutralized before disposal. Treatment and neutralization of hazardous waste may be impossible due to the cost of such processes. Advice of INIFOM and the designated architectural and engineering firm should be sought for proper treatment/disposal. Under no circumstances should hazardous waste be stored near drinking water or surface water sources.

**Miscellaneous Recommendations:**

4) Clean-up activities should be considered open-ended; clean-up involves continuous, systematic efforts.

5) Recycling of wastes is encouraged. Certain durable wastes, e.g. metal from automobiles, can be reused. Consideration should be given to the construction of recycling facilities for paper, plastic and glass. Many organic wastes can be composted and used as fertilizers.

**B. Rehabilitation and Repair of Streets and Embankments**

For the purposes of this project, the vast majority of repair work will consist of replacement of cobble stones.

**Potential Adverse Impact:**

1) Improvements in road surfaces allow larger quantities of storm run-off waters to enter drainage networks. Without proper drainage, minor inundations are likely.

**Recommendation:**

Drainage structures must be adequately reinforced or replaced. Drainage structures including culverts and storm drains should be constructed in tandem with repairs to roads. Care must be exercised to assure that side banks do not erode. Reinforcements of stone or concrete may be necessary for such embankments. For additional drainage system considerations, refer to the category on drainage discussed immediately below.

**C. Drainage Infrastructure Repair and Rehabilitation**

Drainage repair includes refurbishment, reconstruction or addition of manholes, gutters, inlets, pipe drains, and natural and man-made storm channels.

**Potential Adverse Impact:**

1) Drainage improvements will lead to more efficient transport of waste waters; contaminants carried by drainage water may damage ultimate receiving waters. Estuaries -- areas where salt water and fresh water meet -- are particularly sensitive to changes in pollution concentration.

**Recommendation:**

Care must be exercised to avoid adverse impacts on ultimate receiving waters. Assessments should be made to determine the natural assimilative capacities of receiving waters. In some instances, construction of sand beds and oxidation lagoons may be recommended. Consultation with INIFOM and the architectural and engineering firm is recommended.

**Potential Adverse Impact:**

2) Partial repair of drainage system may result in weakness and/or failures in associated parts of the system. For example, repairs to pipe drains without adequate reinforcements to the drains' connection to storm channels could lead to the erosion and failure of such connection.

**Recommendation:**

Assurances must be made that overall drainage network is functional. Improvements to one part of the system may have to be accompanied by parallel improvements to other parts. Inspections

34x

are necessary to assure that all part of the system are sturdy and functional, including spot checks during storms.

#### D. Improvement of Water Supply Services

Water supply improvements include network extensions to existing distribution systems, and water provision to new communal or residential sites. Eventually new networks may be constructed leading from the original source.

##### Potential Adverse Impact:

1) Increased water supply can lead to indiscriminate use of water, waste of water resource and over-demand on such resource.

##### Recommendation:

Public education must be developed to assure that water is used conservatively.

##### Potential Adverse Impact:

2) Improvements in water supply lead to increases in water usage and increases in waste water production. Without proper drainage networks, waste waters accumulate and provide breeding areas for insects. The problem of poorly drained waste water is exacerbated by poor sewage disposal, i.e. waste water and sewage may mix with adverse consequences for public health.

##### Recommendation:

Drainage system improvements must be made parallel with water coverage improvements. Channels must serve stand-pipes to lead spilled water away from the actual water source. Channels must also serve residential areas to lead waste water away from residential or communal areas.

##### Potential Adverse Impact:

3) Water supply extension may merely extend already contaminated water to households; also, new extensions, if built poorly, may lead to the contamination of water that is potable at its originating source or is potable through treatment, but contaminated at its terminus.

##### Recommendation:

All precautions should be made to guarantee that piped water is potable at its terminus. New water service pipes must be built away from or above sewage lines, latrines or septic tanks. Periodic testing of water quality at terminus (e.g. standpipe) must be made.

**Potential Adverse Impact:**

4) Ultimate receiving waters and/or underground waters may become contaminated by the introduction of waste water. Soapy waste water can promote algal bloom and damage freshwater plants and animals. Local economies that depend on fish and seafood may suffer.

**Recommendation:**

Assessments must be made of receiving waters' and ground waters' capacity to assimilate waste-water run-off. Oxidation lagoons and/or sand beds may be necessary to reduce levels of contamination in waste waters.

**E. Repair of Municipal Buildings, other Structures and Recreational Areas**

Repair will take place on small public buildings, bridges and recreational areas.

**Potential Adverse Impact:**

1) Repair activities could expose laborers to physical dangers or unusual health risks from waste removal.

**Recommendation:**

Preliminary assessments should be made to determine risks of removing elevated beams or other heavy objects from dilapidated houses. Hazardous wastes should be identified and separated from biodegradable wastes.

**II. Check-list for Environmental Review of Sub-Project Activities**

The following check-list should be completed for each sub-project activity by environmental officials from the municipality. The check-list is only intended to be an initial reference and starting point for conducting environmental reviews. No check list can a priori identify all significant environmental concerns that will arise from the circumstances of individual activities. The environmental evaluators must be aware of this and able to identify site-specific environmental concerns. The completed check-list identified site-specific environmental concerns should be to INIFOM. The latter institution will review the check-list with the assistance of an architectural and engineering firm, develop mitigations if needed, and develop means for assuring that the mitigations will be implemented, before commencement of the activity.

The check-list is structured within the framework of the five activity areas identified within the Emergency Employment for Recovery Sub-project.

Each check-list item can be answered either, "yes" or "no." All affirmative answers should be accompanied by one of the following explanatory notes: "L" -- for LITTLE environmental impact; "M" -- for MODERATE environmental impact; "H" -- for HIGH environmental impact. Negative answers do not require the notation of "L," "M," or "H."

### I. Clean-up Activities

1) Will clean-up of lots lead to increased erosion by run-off waters and increased sedimentation and clogging of drainage systems?

                                                                
(yes, no)                      (L,M,H)

2) Will ultimate water body recipient (e.g. lake, pond) receive increased sedimentation due to clearing of lots?

                                                                
(yes, no)                      (L,M,H)

3) Will leaching from waste sites adversely affect the quality of surface and underground water bodies?

                                                                
(yes, no)                      (L,M,H)

4) Have hazardous wastes been identified but no adequate measures been provided for their removal and disposal?

                                                                
(yes, no)                      (L,M,N)

5) Additional/Site-specific environmental concerns.

### II. Rehabilitation and Repair of Streets and Embankments

1) Will street improvements lead to increased traffic and noise?

                                                                
(yes, no)                      (L,M,N)

2) Will street improvements lead to an increase of run-off waters entering sensitive ecological areas such as fresh water bodies?

                                          
(yes, no)                    (L,M,N)

3) Additional/Site-specific environmental concerns.

**III. Drainage and Infrastructure Repair and Rehabilitation**

1) Will drainage improvements lead to adverse impacts on aquatic life?

                                          
(yes, no)                    (L,M,N)

2) Is the recipient water body capable of assimilating the contamination discharged through natural purification processes?

-----                    -----  
(yes, no)                    (L,M,N)

3) Will drainage improvements have adverse impacts on drinking water sources?

                                          
(yes, no)                    (L,M,N)

4) Will gutters, inlets, pipe drains and outlet structures receive improvements/repairs but without parallel improvements to other parts of the total drainage system?

                                          
(yes, no)                    (L,M,N)

5) Additional/Site-specific environmental concerns.

**IV. Improvement of Water Supply Services**

1) Will increased water supply lead to overuse of existing water sources?

                                          
(yes, no)                    (L,M,N)

2) Drainage improvements should accompany improvements supply; however, will drainage problems exist anyway?

            
(yes, no)

            
(L,M,N)

3) Will water supply extension provide clean, potable water or it merely extend water that is contaminated?

            
(yes, no)

            
(L,M,N)

4) Additional/Site-specific environmental concerns.

V. Repair of Municipal Buildings, other Structures and Recreation Areas

1) Does the activity expose laborers to unusually high health risks or physical dangers?

            
(yes, no)

            
(L,M,N)

2) Have hazardous wastes been identified but without adequate measures to provide for their removal and disposal?

            
(yes, no)

            
(L,M,N)

3) Additional/Site-specific environmental concerns

ENVIRONMENTAL THRESHOLD DECISION

Project Location : Nicaragua

Project Title : Nicaragua Emergency Employment  
for Recovery Sub-Project

Project Number : 524-0301

Funding : \$10 million

Life of Project : Two years

IEE Prepared by : Roger Cornavaca, PADCO, Matthew  
Auer, USAID/PRE/E

Recommended Threshold Decision : Negative Determination

Bureau Threshold Decision : Concur with Recommendation

Comments : Negative Determination subject to  
implementation of recommendations  
in the initial environmental  
examination. In summary these  
recommendations are that each  
activity receive an environmental  
review that evaluates the  
activity's particular site  
specific circumstances, that  
mitigations addressing the  
environmental concerns arising  
from each activity are developed  
and implemented, and that a  
process is developed for  
establishing accountability and  
for assessing the success in  
implementing proper environmental  
procedures. Assessment of the  
implementation of environmental  
procedures should be a part of  
all EER sub-project evaluations.  
Given the nature of the  
activities proposed, EER should  
not have significant, harmful  
effects on the environment, if  
the procedures recommended in the  
IEE are followed.

Copy to : Janet Ballantyne, Director  
USAID/Nicaragua

Copy to : John Cloutier  
USAID/Nicaragua

Copy to : Mario Pita,  
RHUDO/Honduras

Copy to : Richard Owens, USAID/Nicaragua

Copy to : Tom Delaney, LAC/DR/CEN

Copy to : Regional Environmental Advisor  
ROCAP/San Jose

Copy to : IEE File

John O. Wilson Date SEP 17 1990

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

## ANNEX I

### Institutional Analysis

#### Introduction

Implementation of the Sub Program as described in the draft Concept Paper developed by the Mission, indicates the need for a national institution with a network of local offices to develop labor intensive, small-scale, public infrastructure projects in local communities and supervise financing and implementation of these projects. After an analysis of existing organizations, the Instituto Nicaraguense de Fomento Municipal (INIFOM) was initially chosen by the Mission as a likely candidate to manage and supervise the program for the various participating municipalities throughout the country. The following provides a brief administrative and institutional analysis of INIFOM and its potential as an effective and secure channel for mobilization of A.I.D. resources.

#### Background

A Municipal Law was passed in August of 1988 (Ley No. 40, Ley de Municipios) which recognized the importance of freely elected local governments which traditionally have constituted the political and administrative basis of the country. It provides local governments the legal framework to fit into the modern concept of society and its rapidly changing needs, and reinstated the principal of municipal authority as established in the country's Constitution. It also prescribed guidelines with respect to forms of municipal organization, relationship with the central government, and authorized the formation of municipal enterprises to provide goods and services to the community.

As a consequence of this legislation and the apparent desire of the GON to foster rapid local government development, the Instituto para el Fomento Municipal was organized and began operations in July of 1989 without the benefit of any legislation formally creating and establishing the institution. It was not until March, of 1990 that a Presidential Decree No. 497 provided the legal basis for the "Instituto Nicaraguense de Fomento Municipal" (INIFOM) to support, strengthen, and develop the role of the municipalities in modern society.

#### The Institution

INIFOM has been created as an autonomous institution, of indefinite duration, with its own patrimony and legal standing, and fully capable of acquiring obligations.

The governing and administrative organs are the President, the Council of Directors, and the Director. The President has the power to preside over and call meetings of the Council of Directors. The President is elected by the Council from its

membership.

### Organization

The Council of Directors is the body responsible for establishing the general guidelines and directions for the institution's activities in the development of its functions and the achievement of its objectives. The Council approves the Internal Functional and Organizational By-Laws which among other items, regulates the functions and responsibilities assigned to the Director of the institution.

The Council is comprised of 40 members as follows:

- The 17 mayors of the municipalities of each Department's capital.
- One elected mayor from each of the 17 departmental municipalities.
- 6 representatives appointed by the President of the Republic.

### Resources

The resources assigned to the institutions are:

- the resources from the State.
- the contributions, resources, and donations given by Nicaraguan or foreign, public or private, individuals and institutions.
- the contributions made by the municipalities.

### Internal Organization

INIFOM is currently organized with one administrative division, technical general directorates, and one department as follows:

**Legal Directorate:** Supports, advises, provides training and monitors the municipalities' legal affairs; contributes to the consolidation of the municipal legal system.

**Economic and Financial Directorate:** Responsible for strengthening Local Governments in matters related to reforms to the municipal finance model; improvement of its accounting, budgeting, and financial information systems; searching for, obtaining, and channeling national financial resources, training local governments' authorities, officials and employees in administrative and financial matters, and analysis and consolidation of information on Municipal finances.

**Organizational and Training Directorate:** Responsible for establishing organizational and municipal administration systems,

detecting training needs, formulation, coordination, and implementation of the personnel training plans.

Urban Development and Municipal Services Directorate: Provides technical assistance to the municipalities in Administrative, Planning and Control functions related to Urban Development, Land Use, Housing and Shelter Programs, Environmental Protection and Community Health. It is also responsible for channeling technical assistance to the municipalities in the Administration and Management of Public Services that they provide, to contribute to the expansion of their coverage and the improvement of their quality.

Programs and External Cooperation Department: Provides support and assistance to the Municipalities in the Design and Formulation of Programs, procures, obtains and channels External Cooperation from NGOs, Multilateral Organizations and also contributes to generate internal capacity for project formulation, management and monitoring. It also fosters mutual collaboration relationships with similar institutions in Latin America, the United States and Europe, and supports the development of International Relations and sister cities agreements between municipalities.

#### The Situation

INIFOM is an autonomous institution of very recent creation. Some of its professional and support staff, however, come from predecessor agencies and go back as far back as 1986 when the the GON promoted a political approach to Local Government development, under the previous Sandinista regime. A small institution by Nicaraguan standards, it has a staff of 63, of which approximately 44 are professionals in different disciplines such as engineers, architects, public administrators, economists, sociologists, financial analyst, accountants, lawyers, and less than 20 employees provide clerical and administrative support. In spite of its autonomous character, the institution lacks financial independence. Payroll payments, electricity and other services, gasoline, and all other major expenditures are made directly by the Ministry of Finance. In addition to Central Government transfers to the municipalities which are sometimes channeled through it, INIFOM only has control and manages a small amount of resources for technical assistance coming basically from external sources. The close dependency of the Institution and the Central Government developed during the Sandinista regime, prevails almost untouched today. An example of this is the appointments of the President, the Executive Director and Vice Director of INIFOM, made by the President of the Republic, based on a clause of the original Decree which established temporary appointments of these officials for a period of up to six months. President Chamorro has reformed the Decree and established that the period for these temporary assignments be extended for 18 months. Thus, transfer of control of the institution to the mayors of the principal municipalities of the

country as established by Law, will be similarly delayed.

### INIFOM and the Municipalities

Since the new administration took over, the President of the institution has been in contact with the mayors of some of the principal municipalities of the country trying to project INIFOM's image to the outside. Also to obtain their support and participation in the definition of the institution's policies, and its organizational, administrative and financial basis. At this time the emerging strategy seems to be to begin working with a relatively small number of the principal mayors, selected by INIFOM's President from the larger and more important municipalities, until the Director's Council with its full membership can be operational.

With the exception of the Municipality of Managua, most of the other municipalities of the country and especially the smaller ones, frequently visit INIFOM in search for support, assistance, and resources to carry out urgently needed projects and activities. INIFOM and its staff from predecessor agencies claim to have developed, during the previous government, some expertise on project identification, formulation, implementation, and evaluation. At that time, funds from external sources were made available to the municipalities through INIFOM, and in some other cases the Institution claims to have helped complete project profiles and obtained financing for such projects. It has also been claimed, that as a result of these activities many of the municipalities of the country have developed a capacity to generate and implement smaller-scale projects with the help and support of a central institution. INIFOM has obtained additional budgetary support from the Central Government and has already named Resident Engineers in at least 4 of the 6 principal regions of the country. Resident Engineers will also have some support staff assigned to them to re-establish an operational system for supporting, monitoring, and tracking projects generated and implemented by the municipalities in each region. These regional offices will also be given the responsibility for coordination of municipal activities with INIFOM and other Central Government and autonomous agencies.

As a result of a request by INIFOM, dozens of project profiles have been submitted basically by municipalities of Departmental capitals. These project profiles present different degrees of complexity and refinement, and some will require additional design work and further detailing before their feasibility can be fully established. The project profiles submitted demonstrate at least some communities' most urgent needs and how they plan to deal with them. INIFOM has requested that the list of projects be complemented and that municipalities which have not submitted projects should do it as soon as possible.

## The Municipality of Managua

The Municipality of Managua has a population of about one million inhabitants, it is the capital of the Republic and the seat of the Nation's Government, and is by far the largest and most important municipality in the country. As such, it constitutes an independent body, with its own resource base and does not depend entirely on Central Government transfers to subsist.

Notwithstanding, a wide variety of problems besiege the Municipality and the Mayor's Office, making development of desired activities increasingly difficult to carry out. As a result of the change in government which took place this year, for example, records have disappeared and proper accounting procedures and registries are not yet fully in place. A recent evaluation of the Municipality by an outside firm, indicates that financial management needs to be reorganized and reconstructed before the municipality can produce financial statement that can be audited. Therefore, systems, procedures, accounts, registries, checks and controls, are not reliable. Furthermore, Municipality bureaucracy was burdened by the previous government with innumerable appointments of personnel assigned to the Municipality and the Municipal Enterprises which were already riddled with budget deficits and operational deficiencies.

The Municipality of Managua, however has an Investment Department which is well staffed and operates with relative administrative and managerial autonomy, and has already been successful at developing a series of small projects such as drainages, road and street repairs, area clean-up, and repairs and improvements of urban facilities with the Municipality's own resources. The Mayor's Office has put together a group of project profiles requiring an investment of approximately \$1.1 million, geared towards employment generation operations to clean-up the city and involve private construction companies. These project profiles were submitted directly to USAID/N and have been referred to INIFOM. Managua proposes to utilize the same contracting procedure successfully used after the 1972 earthquake. This procedure is based on an official budget, the definition of time for execution of each contract, and pre-set levels for operational expenditures and margins of profit. All works will be contracted with private sector contractors, supervised by the technical staff of the Investment Department which currently has a staff of 10 engineers, 8 engineering technicians, 20 construction foremen, and 2 surveyor crews. Additionally, and from the management/finance point of view, they also have a Public Accountant, 2 private accountants, 1 computer operator-programmer, and 1 administrator.

## Conclusions and Recommendations

### I. Basic Operational Principles

- 1) The Mission has two alternatives for handling the resources:

49X

a) directly to the municipalities via the Central Bank; or, b) indirectly through INIFOM. Because of the institutional weaknesses identified above, both alternatives will require the following management and fiscal support:

a) An external audit firm that will, as the case may require, place accountants in INIFOM and/or the municipalities.

b) An Architectural and Engineering firm to monitor, supervise, and support the municipalities in the production aspects of their projects.

c) Some technical assistance and training in carrying out key municipal government responsibilities (cadaste, financial management)

2) It seems that the alternative available is to work with INIFOM. The reasons are: a) INIFOM is the only nationwide municipal organization, and b) the political decision by the GON to channel these and future resources through INIFOM.

3) If the program is going to be completed in a two year period or sooner, there is a need to enhance the relationship between INIFOM and the municipalities. It should be one in which INIFOM acts as a sort of intermediate development institution setting the programmatic and institutional basis for the municipalities to receive funds. The municipalities will be fully involved in the design, contracting and implementation of projects. Otherwise, the duplication of efforts will create conflict and more importantly, the project may have the unintended effect to badly diminish the autonomy of the municipalities.

## Institutional Roles and Relationships

### II. 1. Overall

USAID and the GON will address the following:

1) procedures for accounting, controls, and disbursements, and key participating agencies or institutions;

2) allocation of resources by Regions;

3) project typology;

4) expected results in terms of employment generated, benefits to the population, and other measurable impacts.

5) timeframe for completion of activities under the program;

### II. 2 Intermediate Institutions (INIFOM)

1) Presents to, and with municipal governments promotes the

overall project typology;

ii) Evaluates the capacity of municipalities and determines gaps in the delivery and monitoring system for the implementation of the project;

iii) Reviews programming and funding requests from the municipalities;

iv) Approves program lines and personnel support (not to exceed 10% of the total program funds for any given municipality);

v) Makes advances and reimbursements;

## II. 3 Implementing Agencies: Municipalities

i) Identifies, designs and implements projects.

## III. Flow of Resources

Based on the Program Agreement A.I.D. will from time to time disburse program funds to INIFOM. These disbursements will be calculated based on the estimated cash needs of the participating municipalities' programs covering a period not in excess of 60 to 90 days. INIFOM will use the same procedures for advancing funds to the municipalities, which in turn will advance funds to the respective contractors in accordance to the terms and conditions agreed upon among them. Fund advances made under the procedure described, will be fully documented and liquidated before further advances can be made, and so on until the projects are completed and liquidated. INIFOM, as the sub-Project grantee will be totally responsible to USAID for uses of all AID funds.

## ANNEX E

### PROPOSED MUNICIPAL PROGRAMMING STRATEGY

#### DEMOGRAPHIC TRENDS

Nicaragua's population was growing at annual rates averaging around 2.9% in the 1960s and 1970s, with urban population growth rates averaging 4.5%. Urban growth rates accelerated to 4.7% per year during the 1980-89 period while rural growth rates declined to 1.8%.

The country's 1990 population was estimated at 3.95 million (See Table 1); about 55% of the population (2.17 million) lives in urban areas. By the year 2000 the population is expected to reach 5.2 million, with urban areas accounting for almost 70 percent of total population.

Managua, with an estimated 1990 population of 914,725, dominates the national economy. However, Nicaragua also has numerous cities and towns of varying size, the largest (after Managua) being Leon, Chinandega, Masaya, Granada, Esteli, Matagalpa, and Jinotega. These cities (which range from around 150,000 down to 66,000) are clustered along two principal core areas, the Pacific coast and the central highlands. They function as market, service and processing centers for the surrounding agricultural areas.

#### PROPOSED IMPLEMENTATION STRATEGY

##### 1. Basic Approach to Programming

INIFOM's constituency consists of 143 municipalities located throughout the country. Since the elections, INIFOM and 120 of these municipalities (including Managua) have entirely new administrations and virtually no institutional memory, systems or procedures. The sub-project's strategy for programming capital and technical assistance must, therefore, carefully balance pressing employment needs and high public expectations with existing institutional constraints, and the need to progressively improve the planning and implementation capacity of INIFOM and participating municipalities. The intervention strategy proposed for that purpose is briefly described below.

INIFOM: At project startup, intensive efforts will be focussed on establishing sub-project policies and strategies and the administrative, financial and technical management systems required by INIFOM to effectively and efficiently plan and implement employment generation activities. A U.S. IQC contractor will

52

assist GON and INIFOM to develop detailed systems, procedures and controls to guide the administrative and financial management of sub-project activities. Long term sustained support contracts will also be established during this period with: 1) a U.S. auditing firm who will conduct limited audit surveys and concurrent financial audits of implementing institutions, and, 2) a local A and E firm to establish and implement systems to monitor construction activities, to certify progress payments and to assist INIFOM in preparing monthly status reports for each project activity. (See Section V, -Institutional Arrangements).

**Municipal Employment Project Preparation:** The Municipality of Managua (MOM) has already identified potential employment generation projects with an estimated cost of \$2.5 million and INIFOM has received preliminary project proposals from other municipalities throughout the country with an approximate value of \$1.2 million. While MOM's proposed projects will be subject to final review and approval at project start-up, it is clear that the MOM has the capacity to rapidly implement these and to identify and prepare additional qualified projects, subject to resource availability. However, the project proposals of other municipalities present a clearly different situation since they are widely disbursed throughout the country and the institutional capacity of many of these municipalities to manage the planning, administration and finance of small employment generation projects is not yet clear.

Therefore, at project startup it is proposed that INIFOM target intensive efforts to assist larger intermediate cities, whose social and economic importance and institutional capacity is greater, to prepare emergency employment generation strategies and programs and to consolidate and strengthen their institutional capacity to plan and implement related priority projects. For this purpose, a U.S. IQC contractor will be employed to assist INIFOM and its regional engineers to provide intensive support to selected cities in developing a multi-year programmatic approach to the planning and implementation of employment generation projects. The cities proposed for this assistance include Leon, Chinandega, Masaya, Granada, Esteli, Matagalpa and Jinotega. Contractor/INIFOM assistance would include: 1) review of needs and formulation of global program targets and project priorities; 2) identify/and establish municipal organization and management responsibilities and systems and procedures; 3) review private sector construction capacity (including maestros de obras) and determine the most effective mechanisms for private sector contracting; and, 4) assist in the preparation of profiles for immediate priority projects and a work program and schedule for their preparation as well as for overall program development. This intensive effort with selected municipalities will permit INIFOM staff assigned to gain valuable experience and insights which will increase their capacity to support and manage a steadily expanding program covering other municipalities.

Parallel to these efforts, INIFOM will prepare and disseminate

written guidelines and procedures for the identification, preparation and implementation of employment generation projects for use by municipalities throughout the country. A series of orientation/training workshops for municipalities will be implemented by INIFOM on a regional basis for the purpose of reviewing and discussing the guidelines as well as for promoting municipal participation. INIFOM will also prepare a strategy and work program for providing the sustained support required by smaller municipalities that wish to participate. It is expected that such support would best be provided on a regional basis through INIFOM's Resident Engineers located in the regional offices, perhaps with the assistance of the A and E contractor.

## 2. Geographic Programming of Resource

In order to facilitate orderly sub-project development, the GON and INIFOM have established a preliminary allocation of resources by region (percentages of total resources) based on social, demographic and political criteria. This will permit a programmatic approach to the preparation of individual municipal emergency employment projects in the larger municipalities and the design and implementation of a systematic approach to project development in smaller municipalities. These preliminary resource allocations will be reviewed and revised as required, based on performance during the first year of sub-project implementation.

### Conclusion

-----

In general, Project resources should be distributed roughly in proportion to the geographical spread of the population. However, the ability of some of the larger municipalities to initiate activities faster will affect early resource allocation. In addition, political and economic considerations must be taken into account. Actual resource allocation will be monitored closely during the life of the project.

TABLE 1  
POPULATION OF REGIONS AND DEPARTMENTAL CAPITALS  
IN NICARAGUA-1990

REGION	DEPARTMENTS	DEPARTMENTAL CAPITAL	1990 POPULATION		
			TOTAL	URBAN	RURAL
I			409,712		
	ESTELI	ESTELI	79,816	52,600	27,216
	MADRIZ	SOMOTO	31,809	11,900	19,909
	NUEVA SEGOVIA	OCOTAL	36,258	25,000	11,258
II			664,387		
	LEON	LEON	147,143	109,300	37,843
	CHINANDEGA	CHINANDEGA	109,595	81,900	27,695
III			1,058,700		
	MANAGUA	MANAGUA	914,725		
IV			630,111		
	MASAYA	MASAYA	94,283	79,600	14,683
	GRANANDA	GRANADA	86,429	73,200	13,229
	CARAZO	JINOTEPE	35,808	20,400	15,408
	RIVAS	RIVAS			
V			479,809		
	CHONTALES	JUIGALPA	41,997	37,500	4,497
	BOACO	BOACO	39,369	17,600	21,769
VI			492,241		
	MATAGALPA	MATAGALPA	90,249	75,000	15,249

55 X

JINOTEGA	JINOTEGA	66,327	35,000	31,327
----------	----------	--------	--------	--------

SPECIAL REGIONS

ATLANTICO NORTE

93,150

ZELAYA NORTE	PUERTO CABEZAS	26,872	20,200	6,672
--------------	----------------	--------	--------	-------

ATLANTICO SUR

72,122

ZELAYA SUR	BLUEFIELDS	46,107	35,000	11,107
------------	------------	--------	--------	--------

SPECIAL ZONE

48,968

RIO SAN JUAN	SAN CARLOS	14,971	4,300	10,671
--------------	------------	--------	-------	--------

SOURCE: INSTITUTO NICARAGUENSE DE ESTADISTICAS Y CENSOS (INEC).

ANNEX F

DRAFT STATEMENT OF WORK  
FOR A  
ARCHITECTURAL/ENGINEER SUPERVISORY CONTRACT

A. Statement of Work

This Contract engages the Contractor to provide engineering and construction advisory and supervision services in connection with the planning and implementation of the Emergency Employment Generation Sub-Project. The services of the Contractor shall include: assistance in the design and implementation of systems, procedures and guidelines for employment project preparation, approval and implementation; monitoring and supervision of project contracting, construction and development activities; verification of contract labor and construction costs and the proper presentation of invoices; provision of technical assistance and support to INIFOM and implementing agencies.

B. Duties of Contractor

The Contractor will serve as Engineer/Advisor to INIFOM's Special Employment Management Unit (SEMU) and shall provide engineering, technical and management support and all other relevant services as may be necessary to attain the contract objectives. The Contractor will work under the supervision of the MU Director and the A.I.D./N Project Manager to complete the scope of work in a manner acceptable to INIFOM and A.I.D./Nicaragua.

C. Scope of Work

The Contractor shall provide up to 64 person months of professional services to INIFOM and participating institutions as follows:

1. General

Provide necessary consultation, cooperation and coordination with INIFOM, its Resident Regional Engineers and participating implementing institutions to effect the earliest timely completion of the Project.

2. Design and Implementation of Policies, Strategies, Systems and Procedures.

Assist INIFOM and its Resident Regional Engineers to design and implement:

57

a) National and regional project implementation strategies and work programs.

b) Systems, procedures and criteria for the preparation, review and approval of project proposals received by INIFOM.

c) Meetings and workshops to orient participating implementing institutions on systems and procedures established for project preparation and implementation.

### 3. Employment Project Preparation and Approval

a) Receive, review and approve project proposals which meet project selection criteria.

b) Prepare project work profiles and certify their costs

c) Establish and maintain files/documentation on proposed and approved projects.

### 4. Project Contracting

a) Prepare standard formats for bidding and contracting of projects as required.

b) Oversee pre-qualification of private sector contractors, the bidding process and contract awards.

c) Approve contract awards which comply with agreed upon plans, costs and specifications.

### 5. Construction, Monitoring and Supervision

a) Monitor and evaluate construction progress through periodic visits to project sites and review of project reports.

b) Oversee the supervision of construction contractors by the municipalities and other implementing institutions.

c) Identify work projects which are deficient and request remedial action.

d) Conduct final inspections of completed work projects.

### 6. Certification and Approval of Disbursements

a) Approve/certify requests for advances to contractors, monthly progress payments and liquidations.

b) Prepare requests for periodic replenishment of funds.

c) Approve final disbursements to contractors.

**7. Prepare Project Documentation and Reports**

- a) Establish and maintain files and documentation on project activities and work projects.
- b) Prepare and submit monthly status reports for each project activity to INIFOM and A.I.D./N.

ANNEX G  
PRELIMINARY STATEMENT OF WORK  
FOR A  
PSC PROJECT MANAGER

A. Statement of Work

This Contract engages a Personal Services Contractor to serve as A.I.D./N Project Manager for the Emergency Employment Sub-Project. The Project, a component of the Economic Growth and Development Program (524-0301), will be planned and implemented by the GON's National Institute for Municipal Development (INIFOM), which will be the implementing agency. The goals of the Project are to: generate short-term employment; stimulate the reactivation of the construction sector and associated industries; and, contribute to the repair, maintenance, and rehabilitation of deteriorated social and economic infrastructure.

B. Duties of Contractor

The Contractor will be assigned to the Project Management Unit (MU) established within INIFOM. The PSC Project Manager reports directly to the A.I.D./N Supervisory Project Development Officer and will act as liaison with A.I.D./N and provide management support and assist INIFOM in all matters related to Project planning and implementation. He/she shall provide all such advisory, management and all other relevant services as may be necessary to attain the Project's goals.

As Project Manager, the PSC will:

1. Serve as advisor to the director of INIFOM, who will be directly responsible for managing the MU and its operations.
2. Act as liaison with INIFOM, other participating GON institutions, and AID/N during Project implementation; keep participants informed as to the status of employment generation activities.
3. Supervise and monitor the activities of technical assistance contractors, including the long-term sustained support to be provided by A and E and the accounting firm.
4. Advise the the MU Director and AID/N Supervisory Project Development Officer of Project-related problems and issues as they arise and make recommendations for corrective actions.
5. Prepare any project documentation required on behalf of A.I.D./N.

60+

6. Supervise and coordinate the preparation and submission of disbursement requests and monthly status reports to A.I.D./N by INIFOM and technical assistance consultants, recommending followup actions as required.

7. Submit quarterly progress reports to AID/N which summarize personal work activities, the status of Project administrative/financial and technical management and describe the implementation activities planned for the next quarter.

8. Perform other duties as assigned by the Supervisory Project Development Officer.

### C. Required Qualifications

Candidates for the position of PSC Project Manager will be Nicaraguan Nationals with at least five years of previous project administration and management experience, particularly related to the planning and implementation of projects of comparable size and complexity. Previous experience in managing A.I.D. or other donor agency financed development projects is desirable.



## AGENCY FOR INTERNATIONAL DEVELOPMENT

UNITED STATES A. I. D. MISSION TO NICARAGUA

Proyecto AID No. 524-0301

AID Project No. 524-0301

### Acuerdo del Proyecto de Donación

### Project Grant Agreement

Fechado 19 de Septiembre, 1990

Dated September 19, 1990

Entre

Between

Nicaragua ("Donatario")

Nicaragua ("Grantee")

Y

And

Los Estados Unidos de América,  
actuando a través de la Agencia  
Desarrollo para el Internacional  
("A.I.D.").

The United States of America,  
acting through the Agency for  
International Development,  
("A.I.D.").

#### Artículo 1: El Acuerdo

#### Article 1: The Agreement

El propósito de este acuerdo es de establecer el entendimiento de las partes arriba mencionadas ("Partes") con respecto al emprendimiento por parte del Donatario del Proyecto descrito a continuación, y con respecto al financiamiento del Proyecto por ambas Partes.

The purpose of this Agreement is to set out the understandings of the parties named above ("Parties") with respect to the undertaking by the Grantee of the Project described below, and with respect to the financing of the Project by the Parties.

#### Artículo 2: El Proyecto

#### Article 2: The Project

##### Sección 2.1. Definición del Proyecto.

##### SECTION 2.1. Definition of Project.

El Proyecto, descrito ampliamente en el Anexo 1, consistirá en la generación de empleo mediante la reparación de infraestructura básica. El Anexo 1, adjunto, amplifica la anterior definición del Proyecto. Dentro de los límites de la anterior definición del Proyecto, elementos de la descripción amplificada citados en el Anexo 1 pueden ser modificados por acuerdo escrito de los representantes autorizados de las Partes mencionadas en la Sección 8.2., sin enmienda formal de este acuerdo.

The Project, which is further described in Annex 1, will consist of the generation of employment through the repair of basic infrastructure. Annex 1, attached, amplifies the above definition of the Project. Within the limits of the above definition of the Project, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2., without formal amendment of this Agreement.

62X

Sección 2.2. Dentro de la fecha de terminación de asistencia al proyecto estipulada en este acuerdo, A.I.D., basado en consultas con el Donatario, puede especificar mediante cartas de implementación del Proyecto términos apropiados para la utilización de fondos donados por A.I.D. bajo un incremento individual de asistencia.

Artículo 3: Financiamiento

Sección 3.1. La Donación

Para asistir al Donatario a cubrir los costos de llevar a cabo el Proyecto, A.I.D. de acuerdo al acta de asistencia extranjera de 1961, y sus enmiendas, acuerdo entregar en concepto de donación al Donatario bajo los términos de este acuerdo no más de Diez Millones de Dólares de los Estados Unidos de América (10,000,000.00) ("Donación").

La donación puede ser usada para financiar costos de cambio externo, según definición dada en la Sección 6.1. y costos de moneda local, según definición dada en la Sección 6.2., de bienes y servicios requeridos para el Proyecto, con la excepción de que, a menos que las Partes lo acuerden por escrito, los costos de moneda local financiados bajo la donación no podrán exceder el equivalente de Diez Millones de Dólares (10,000,000.00).

Sección 3.2. Recursos del Donatario para el Proyecto.

(a) El Donatario acuerda proveer o causar para que sea proveído para el Proyecto todos los fondos, adicionales a la donación, todos los recursos requeridos para llevar a cabo el Proyecto efectivamente y en tiempo cabal.

SECTION 2.2. Within the overall Project Assistance Completion Date stated in this Agreement, A.I.D., based upon consultation with the Grantee, may specify in Project Implementation Letters appropriate time periods for the utilization of funds granted by A.I.D. under an individual increment of assistance.

Article 3: Financing

SECTION 3.1. The Grant.

To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement not to exceed Ten Million United States ("U.S.") Dollars (\$10,000,000.00) ("Grant").

The Grant may be used to finance foreign exchange costs, as defined in Section 6.1., and local currency costs, as defined in Section 6.2., of goods and services required for the Project, except that, unless the Parties otherwise agree in writing, Local Currency Costs financed under the Grant will not exceed the equivalent of Ten Million U.S. Dollars (\$10,000,000.00).

SECTION 3.2. Grantee Resources for the Project.

(a) The Grantee agrees to provide or cause to be provided for the Project all funds, in addition to the Grant, and all other resources required to carry out the Project effectively and in a timely manner.

63

(b) Los recursos proveídos por el Donatario para el Proyecto estarán compuestos de gastos operacionales de la entidad implementadora y de sus oficinas regionales.

**Sección 3.3. Fecha de Terminación para Asistencial al Proyecto.**

(a) "La Fecha de Terminación para Asistencia al Proyecto" ("PACD"), que es Septiembre 18, 1992, o cualquier por escrito, es la fecha en la cual las Partes estiman que todos los servicios financiados por la donación habrán sido ejecutados y todos los bienes financiados por la donación habrán sido suministrados para el Proyecto según lo contempla este acuerdo.

(b) A menos que A.I.D. lo pueda acordar por escrito, A.I.D. no emitirá ni aprobará documentación que autorizaría desembolsos de la donación para servicios ejecutados posterior a la PACD (Fecha de Término) o para bienes suministrados para el Proyecto, a como se establece en este acuerdo, posterior a la PACD.

(c) Solicitudes para desembolso acompañadas por la necesaria documentación de soporte prescrita en cartas de implementación de Proyectos deberán ser recibidas por A.I.D. o cualquier banco señalado en Sección 7.1. a no mas tardar de nueve (9) meses siguientes al PACD (Fecha de Término), o a cualquier otra fecha en la que A.I.D. acuerde por escrito después de tal período, A.I.D. notificando por escrito al Donatario, puede en cualquier tiempo o tiempos reducir el monto de la donación por

(b) The resources provided by the Grantee for the Project will be comprised of operational expenses of the implementing entity and its regional offices.

**SECTION 3.3. Project Assistance Completion Date.**

(a) The "Project Assistance Completion Date" (PACD), which is September 18, 1992, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Grant for services performed subsequent to the PACD or for goods furnished for the Project, as contemplated in this Agreement, subsequent to the PACD.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, are to be received by A.I.D. or any bank described in Section 7.1. no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Grantee, may at any time or times reduce the amount of the Grant by all or any part thereof for which requests for disbursement,

64X

toda o cualquier parte de la misma para las cuales las solicitudes de desembolso, acompañadas por la necesaria documentación de soporte en cartas de implementación del Proyecto, no fueran recibidas antes de la expiración del período mencionado.

**Artículo 4: Condiciones Previas al Desembolso.**

**Sección 4.1. Primer Desembolso**

Previo a cualquier desembolso o emisión de cualquier documento de compromiso bajo el acuerdo del Proyecto, excepto por contratos directos de A.I.D. para asistencia técnica y administración de proyecto, el Donatario, salvo acuerdo escrito en contrario de las Partes, suministrará a A.I.D. en forma y substancia satisfactorio a A.I.D.:

(a) Una opinión de consejo aceptable a A.I.D. de que el presente acuerdo ha sido debidamente autorizado y/o ratificado por, y ejecutado en nombre de, el Donatario, y de que constituye una obligación válida y legal del Donatario en concordancia con todos sus términos;

(b) Una declaración del nombre de la persona poseyente o actuante en el puesto del Donatario a como especifica la Sección 8.3., y de cualquier representante adicional, junto con una muestra de la firma de cada persona especificada en tal declaración;

(c) Sumeter a A.I.D. de una manera satisfactoria para A.I.D. detalles financieros y procedimientos de contratación para la entidad que va a implementar el proyecto, el Instituto Nacional para Desarrollo Municipal (INIFOM).

accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

**Article 4. Conditions Precedent to Disbursement**

**SECTION 4.1. First Disbursement.**

Prior to any disbursement or the issuance of any commitment documents under the Project Agreement, except for A.I.D. Direct contracts for technical assistance and project management, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) An opinion of counsel acceptable to A.I.D. that this Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms;

(b) A statement of the name of the person holding or acting in the office of the Grantee specified in Section 8.3., and of any additional representatives, together with a specimen signature of each person specified in such statement;

(c) Submission to A.I.D. in a manner satisfactory to A.I.D., of detailed financial and contracting procedures for the implementing entity, the National Institute for Municipal Development (INIFOM).

**Sección 4.2. Notificación.**

Cuando A.I.D. haya determinado que las condiciones previas especificadas en la Sección 4.1. han sido cumplidas de inmediato notificará al donatario.

**Sección 4.3. Fechas Perentorias para Condiciones Previas.**

Si todas las condiciones especificadas en las Sección 4.1. no han sido cumplidas dentro de los 120 días a partir de la firma de este acuerdo, o cualquier fecha posterior que A.I.D. pudiese acordar por escrito, A.I.D., a su opción, podrá dar por terminado este acuerdo notificando por escrito al Donatario.

**Artículo 5: Convenios Especiales**

**Sección 5.1. Evaluación del Proyecto.**

Las Partes acuerdan en establecer un programa de evaluación como parte del Proyecto. A menos que las partes acuerden lo contrario por escrito, el programa incluirá, durante la implementación del Proyecto y en uno o más instancias posteriores:

(a) evaluación de progreso hacia el logro de los objetivos del Proyecto.

(b) identificación y evaluación de áreas problemáticas o constreñimientos que puedan inhibir tales logros.

(c) estimación de como tal información puede ser usada para coadyuvar en la solución de tales problemas; y

**SECTION 4.2. Notification.**

When A.I.D. has determined that the conditions precedent specified in Section 4.1. have been met, it will promptly notify the Grantee.

**SECTION 4.3. Terminal Dates for Conditions Precedent.**

If all of the conditions specified in Section 4.1. have not been met within 120 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to the Grantee.

**Article 5: Special Covenants**

**SECTION 5.1. Project Evaluation.**

The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Project and at one or more points thereafter:

(a) evaluation of progress toward attainment of the objectives of the Project.

(b) identification and evaluation of problem areas or constraints which may inhibit such attainment;

(c) assessment of how such information may be used to help overcome such problems; and

66x

(d) evaluación, hasta el grado posible, del impacto de desarrollo en general del Proyecto.

Sección 5.2. Costos Laborales.

El Gobierno de Nicaragua conviene que al menos el cuarenta por ciento (40%) de todos los recursos del Proyecto para beneficio de cualquier municipalidad será para costos asociados con mano de obra calificada y no calificada.

Artículo 6: Fuente de Ingreso

Sección 6.1. Costos de Cambio Extranjero.

Desembolsos de acuerdo con la Sección 7.1. serán usadas exclusivamente para financiar los costos de bienes y servicios requeridos para el haber del Proyecto, con respecto a bienes, su fuente y origen, y con respecto a servicios, su nacionalidad, en los Estados Unidos o país cooperante y miembros del Mercado Común Centroamericano ("Costos de Cambios Extranjeros"), a menos que A.I.D. acuerde lo contrario por escrito.

Sección 6.2. Costos en Moneda Nacional.

Desembolsos de acuerdo con la Sección 7.2. serán usados exclusivamente para financiar los costos de bienes y servicios requeridos para el Proyecto teniendo su fuente y, salvo que A.I.D. determine lo contrario por escrito, su origen en Nicaragua ("Costos en Moneda Nacional").

(d) evaluation, to the degree feasible, of the overall development impact of the Project.

SECTION 5.2. Labor Costs.

The Government of Nicaragua covenants that at least forty percent (40%) of all project resources for the benefit of any municipality will be for costs associated with unskilled and skilled labor.

Article 6: Procurement Source

SECTION 6.1. Foreign Exchange Costs.

Disbursements pursuant to Section 7.1. will be used exclusively to finance the costs of goods and services required for the Project having, with respect to goods, their source and origin, and with respect to services, their nationality, in the United States or the cooperating country and Central American Common Market Countries ("Foreign Exchange Costs"), except as A.I.D. may otherwise agree in writing.

SECTION 6.2. Local Currency Costs.

Disbursements pursuant to Section 7.2. will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as A.I.D. may otherwise agree in writing, their origin in Nicaragua ("Local Currency Costs").

**Artículo 7: Desembolso**

**Sección 7.1. Desembolso de Cambio Extranjero.**

Después de satisfacer las condiciones previas, el Donatario puede obtener desembolsos de fondos provenientes de la donación para los costos de Cambio Extranjero de bienes o servicios requeridos para el Proyecto de acuerdo a las condiciones del acuerdo, con el método siguiente:

- sometiendo a A.I.D., con la documentación de soporte necesaria prescrita en las cartas de implementación del Proyecto,
  - (a) solicitudes para reembolsos de tales bienes o servicios, o
  - (b) solicitudes a A.I.D. para que procure mercancías o servicios a nombre del Donatario para el Proyecto.

**Sección 7.2. Desembolso para Costos en Moneda Nacional.**

(a) Después de satisfacer las condiciones previas el Donatario puede obtener desembolsos de fondos de la donación para costos en moneda nacional requeridos para el Proyecto de acuerdo a los términos de este acuerdo, sometiendo a A.I.D., con la documentación de soporte necesaria prescrita en las cartas de implementación de Proyectos, solicitudes para financiar tales costos.

**Article 7: Disbursement**

**SECTION 7.1. Disbursement of Foreign Exchange Costs.**

After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for the Foreign Exchange Costs of goods or services required for the Project in accordance with the terms of this Agreement, by the following method:

- by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters,
  - (a) requests for reimbursement for such goods or services, or
  - (b) requests for A.I.D. to procure commodities or services in Grantee's behalf for the Project.

**SECTION 7.2. Disbursement for Local Currency Costs.**

(a) After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for Local Currency Costs required for the Project in accordance with the terms of this Agreement, by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs.

68X

(b) La moneda nacional necesaria para tales desembolsos puede ser obtenida por adquisición por A.I.D. con dólares de los Estados Unidos de América mediante compra o de moneda nacional actualmente perteneciente al Gobierno de los Estados Unidos.

Sección 7.3. Otras Formas de Desembolso.

Desembolsos de la donación pueden también ser hechos por cualquier otro medio a que las Partes acuerden por escrito.

Sección 7.4. Tasa de Cambio.

Salvo de que sea mas específicamente estipulado en la Sección 7.2., si los fondos proveídos por la Donación fueren introducidos a Nicaragua por A.I.D. o cualquier agencia privada o pública con el fin de cumplir obligaciones de A.I.D. en virtud de esto. El Donatorio hará los arreglos necesarios para que los fondos puedan ser convertidos en moneda Nicaraguense a la más alta tasa de cambio que, al momento de la conversión, que no sea, legal en Nicaragua.

Artículo 8: Varios

Sección 8.1. Comunicaciones.

Cualquier notificación, solicitud, documento u comunicación sometida por cualquiera de las Partes a la otra sobre este acuerdo será hecha por escrito o por telegrama o cablegrama, y se estimará apropiadamente entregado o enviado a la otra Parte cuando fueren enviadas a las siguientes direcciones:

(b) The local currency needed for such disbursements may be obtained by acquisition by A.I.D. with U.S. Dollars by purchase or from local currency already owned by the U.S. Government.

SECTION 7.3. Other Forms of Disbursement.

Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing.

SECTION 7.4. Rate of Exchange.

Except as may be more specifically provided under Section 7.2., if funds provided under the Grant are introduced into Nicaragua by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Grantee will make such arrangements as may be necessary so that such funds may be converted into currency of Nicaragua at the highest rate of exchange which, at the time the conversion is made, is not unlawful in Nicaragua.

Article 8: Miscellaneous

SECTION 8.1. Communications.

Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such Party at the following addresses:

21

69

Al Donatario:  
Ministerio de la Presidencia  
Managua, Nicaragua

A A.I.D.:  
c/o Embajada de los  
Estados Unidos  
Managua, Nicaragua

Todas estas comunicaciones serán Inglés, salvo que las Partes acuerden lo contrario por escrito. Otras direcciones pueden sustituir a los anteriores al ser así notificado.

Sección 8.2. Representantes.

Para todos los fines concernientes a este acuerdo, el Donatario será representado por la persona encargada o actuando en el puesto de Ministro de la Presidencia y A.I.D. será representada por la persona encargada o actuando en el puesto de Director del Mision de USAID, pudiendo cada uno de ellos, por notificación escrita, designar representantes adicionales para cualquier fin salvo de ejercer el poder estipulado en la Sección 2.1. de revisar elementos de la descripción amplificada en el Anexo 1. Los nombres de los representantes del Donatario, con muestras de sus firmas, serán proporcionados a A.I.D., quien podrá aceptar como debidamente autorizado cualquier instrumento firmado por tales representantes en la implementación de este acuerdo, hasta recibir notificación escrita de la revocación de su autoridad.

To the Grantee:  
Ministry of the Presidency  
Managua, Nicaragua

To A.I.D.:  
c/o U.S. Embassy  
Managua, Nicaragua

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

SECTION 8.2. Representatives.

For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of Minister of the Presidency and A.I.D. will be represented by the individual holding or acting in the office of USAID Mission Director, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1. to revise elements of the amplified description in Annex 1. The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

70x

**Sección 8.3. Provisiones Establecidas Anexo.**

Un "Proyecto de las Provisiones Establecidas de la Donación Anexo" (Anexo 2) está agregado y forma parte de este acuerdo.

**Sección 8.4. Lenguaje del Acuerdo.**

Este acuerdo es preparado tanto en Inglés como en Español. En caso de ambigüedad o conflicto entre ambas versiones, la versión en lenguaje Inglés prevalecerá.

EN TESTIMONIO DE QUE, el Donatario y los Estados Unidos de América, ambos actuando a través de su representante debidamente autorizado, han causado de que este acuerdo sea firmado en sus nombre y librado a partir del día y el año mencionados al inicio de este documento.

GOBIERNO DE NICARAGUA

Por:   
Antonio Lacayo O.

Title: Ministro de la Presidencia

Por:   
Enrique Dreyfus

Title: Ministro de Relaciones Exteriores

**SECTION 8.3. Standard Provisions Annex.**

A "Project Grant Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

**SECTION 8.4. Language of Agreement.**

This Agreement is prepared in both English and Spanish. In the event of ambiguity or conflict between the two versions, the English Language version will control.

IN WITNESS WHEREOF, the Grantee and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

UNITED STATES OF AMERICA

By:   
Harry Shlademan

Title: Ambassador

By:   
Janet C. Ballantyne

Title: USAID Mission Director