

**After Hurricane Mitch:
United States Agency for International Development
Reconstruction and the Stockholm Principles**

Report prepared for Oxfam America by Joshua Lichtenstein



Briefing Paper 01, issue #1
January 2001

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EXECUTIVE SUMMARY

INTRODUCTION

Hurricane Mitch was the worst natural disaster in Nicaraguan history and one of the worst to hit the entire region in decades. Some 3,000 people were killed in Nicaragua and more than 5,000 in Honduras. Some 870,000 people were affected by the storm in Nicaragua (18 percent of the population), while estimates in Honduras reached 75 percent of the population affected by the storm. Total damages in Nicaragua surpassed \$1.5 billion, while in Honduras the damages ranged beyond \$4 billion. In the region as a whole, more than 9,000 people were killed, 3 million displaced, and \$8.5 billion in damages incurred. Hundreds of bridges, thousands of schools and clinics, and kilometers of water systems and roads were destroyed. Agricultural crops sustained severe losses that will take many years to recover.

The Consultative Group Donors meeting in Stockholm, Sweden in May 1999 was called to organize the international response to the needs for reconstruction in Central America after Hurricane Mitch. There the international donor community was persuaded to envision its response to this natural disaster as an opportunity to develop a new approach to relief and reconstruction. The Stockholm Declaration embodies this commitment to orient international aid towards long term solutions that address the fundamental causes of poverty and vulnerability. Five donor countries that have come to be known as the Group of Five (G-5) – Canada, Germany, Spain, Sweden and the United States - were given the mandate to follow up on compliance with these goals.

This briefing paper has been produced as part of the ongoing work of Oxfam America around reconstruction and transformation in Central America after Hurricane Mitch. Its objective is to identify strengths and weaknesses in United States Agency for International Development's (USAID) reconstruction programs in Honduras and Nicaragua in their compliance with goals stated in Stockholm in May 1999. Oxfam America is a US based non-governmental organization involved in overseas development and advocacy around US foreign policy.

This report has five sections: a summary of USAID commitments to Central America after the hurricane, including a brief description of relief efforts; a more detailed description of USAID reconstruction programs financed with Mitch supplemental funds; a section of summary tables with respect to quantities of aid; an analytical section looking at compliance with the Stockholm principles; and a section summarizing conclusions and recommendations.

The research for this paper focused primarily on four variables: environmental vulnerability, civil society participation, donor coordination, and transparency. Additional analysis is offered with respect to other Stockholm principles: the reduction of poverty and social vulnerability, decentralization, and the inclusion of women, children and ethnic minorities.

The research for this study was carried out in Central America during November and December 2000. The methodology involved the archival collection of documents and interviews with key actors within USAID, US private voluntary organizations implementing reconstruction projects with USAID funds, the Honduran and Nicaraguan governments, and regional civil society organizations.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The initial United States government response to Hurricane Mitch has generally been acknowledged to have been swift and effective. The airlift of food to Central America after the storm was the largest in US history and the USAID/OFDA response on the ground was generally flexible and appropriate. While the Clinton Administration should be praised for its quick request of reconstruction funds for Central America, the US Congress delayed for six months before approving the Central America and Caribbean Disaster Recovery Fund. Combined with the short (two year) time limit for the reconstruction programs themselves, this has weakened the ability of USAID to contribute significantly to not only reconstruct but to transform Central America, as committed in the Consultative Group meeting in Stockholm, Sweden, in May 1999.

This congressionally-imposed two-year limit on the reconstruction programs is perhaps the single greatest limitation which will reduce the sustainability over the medium to long terms of gains made to date. All initiatives would require longer term follow-up to have a significant impact on the widespread poverty, social and environmental vulnerability which were the cause of such extensive loss of life during hurricane Mitch.

While USAID relied heavily in both countries on the pre-existing network of counterparts¹ and on the pre-existing program areas, USAID contributions to the reconstruction efforts are providing coherent follow-up to the relief efforts. USAID programs are targeted to Mitch-affected areas and follow the priorities established by national governments toward rehabilitation of basic infrastructure. The use of counterparts with long histories of work in the region has heightened continuity and impact of the reconstruction programs.

The USAID sustainable agriculture and micro-enterprise projects that directly raise incomes of Mitch-affected families in an ongoing fashion are perhaps the most likely to reduce poverty over the medium term. These same sustainable agriculture efforts, with appropriate follow up, could also significantly reduce environmental vulnerability. The municipal development program in Honduras, if sustained, could contribute to a reduction of social vulnerability in a limited number of towns by making local government more inclusive and responsive. Disaster prevention

¹ The term “counterpart” here refers to private voluntary organizations implementing projects with USAID funds.

projects that involve significant training of local officials and community members, with appropriate follow up, could reduce environmental vulnerability. Housing programs in Honduras have reduced vulnerability for relocated families.

Overall, however, there have been few changes in the national policy frameworks in Honduras or Nicaragua over the past year which hold out potential to directly impact the situation of exclusion and discrimination of women and ethnic minorities, to democratize citizen participation, or significantly alter the social and economic playing field.

Given the urgency of the reconstruction projects and the short time frame for their completion, participation methodologies in USAID projects were limited in scope in some cases, lowering effective participation by beneficiaries in the selection and design of projects. Participation by local residents was often limited to providing local labor for infrastructure rehabilitation.

At the national level, while new mechanisms were developed in both countries to provide vehicles for civil society participation in the reconstruction planning, these efforts have shown few tangible results. This has been in large part because of continuing governmental unwillingness to alter plans, policies and strategies in response to suggestions by citizen groups. Governmental planning and policy making continues to be primarily oriented to satisfying international donors rather than national publics. In Nicaragua, the commission formed for civil society consultation, CONPES, has been significantly hampered in its work by a lack of resources, support staff, and by government vacillation regarding civil society participation. In Honduras, while the Participation Commission has been hampered by the same lack of technical and administrative support as in Nicaragua, it has achieved some more success in pressuring the government of Honduras for greater consultations with civil society. In neither country has USAID played a particularly high profile role in facilitating state-civil society dialogue at the national level.

With respect to efforts to strengthen the transparency of host government institutions and promote good governance, USAID in Honduras has successfully strengthened the capacity of the auditing unit of the Controller General's office. USAID in Nicaragua has been unable to carry out a serious effort to strengthen transparency within the government of Nicaragua in large measure because of political events in that country. Some of its ongoing efforts to support the Controller General's office have been suspended because of politicization of that institution.

The five levels of oversight of USAID reconstruction programs, which range from internal grantee monitoring and evaluation systems to bimonthly visits by the US General Accounting Office (GAO), constitute an effective system to insure that funds are directed to the agreed upon activities. While the level of transparency of the USAID missions themselves with respect to the reconstruction programs is commendable, more needs to be done to disseminate programmatic information in Spanish and institutionalize communication and consultation mechanisms with local civil society.

In both Honduras and Nicaragua, the G-5 mechanism has played an important role in initiating processes of donor coordination. In Nicaragua, the G-5 has been successful in exerting greater leverage on the government of Nicaragua to comply with the Stockholm accord than any of the countries individually would have been able to. In Honduras, the G-5 has initiated a series of

mechanisms, with different actors meeting at different levels, which appears to be enhancing coordination significantly.

In particular the thirteen sector working groups in Honduras constitute an innovative and effective means of donor coordination. In Nicaragua, donor coordination appears to be more successful at the local level, coordinating around specific projects, in part because of an absence of governmental leadership. In both countries, follow-up indicators were developed to monitor compliance with the Stockholm accords. It appears, however, that these have been useful in Honduras but not in Nicaragua.

Recommendations

Given the conclusions presented above with respect to the strengths and weaknesses of the reconstruction programs in Honduras and Nicaragua and their overall compliance with the spirit of the commitments made by the US in Stockholm, Sweden in May 1999, Oxfam America recommends the following actions:

- The traditional approach to emergency reconstruction funding should be reevaluated in the light of the Stockholm principles. These principles were a useful starting point to transforming relief aid, but did not go far enough in generating a debate about the continued constraints of short-term funding cycles and the need for better integration of relief and reconstruction programs with long-term development programs.
- Additional funding should be granted to the USAID missions in Honduras and Nicaragua to provide follow-up to those elements of the reconstruction programs that hold out significant possibilities to transform the region. Municipal development, sustainable agriculture, disaster prevention, programs that provide access to credit, and programs that involve training of government personnel and community members should all be extended to ensure the sustainability of gains made.
- The US government should continue to stress the importance of the Stockholm principles with governments in the region and to look for effective ways to incorporate them in USAID programming.
- The US government should continue to support the donor coordination mechanisms developed after Stockholm. The feasibility of replicating the Honduran model of sector working groups in the other Central American countries should be explored.
- The initiative of the USAID Controller in Honduras to develop a “demand side” approach to transparency should be supported and replicated if successful.
- Both USAID and the GAO should make public the results of their extensive monitoring and evaluation efforts, including provisions to translate into Spanish and disseminate them in the region.

- If year end evaluations are generally positive, efforts should be made to reduce oversight of USAID partner agencies to ensure that these mechanisms do not interfere with program implementation.
- USAID should renew its commitment to dialogue with civil society, instituting permanent mechanisms for two-way communication such as monthly or quarterly briefings for interested groups.
- USAID should undertake formal national consultations with Central American civil society organizations regarding the priorities, policies and strategies to be implemented in their regular programs in 2002, once the Mitch reconstruction programs are terminated. USAID's ongoing programs should be linked to the priorities and goals expressed in the national poverty reduction strategies that are being developed as part of the Highly Indebted Poor Countries debt relief initiative.



After Hurricane Mitch: United States Agency for International Development Reconstruction and the Stockholm Principles

INTRODUCTION

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USAID COMMITMENTS IN CENTRAL AMERICA AFTER HURRICANE MITCH

The Initial Response

Hurricane Mitch was the worst natural disaster in Nicaraguan history and one of the worst to hit the entire region in decades. Some 3,000 people were killed in Nicaragua and more than 5,000 in Honduras. Some 870,000 people were affected by the storm in Nicaragua (18 percent of the population), while estimates in Honduras reached 75 percent. Total damages in Nicaragua

surpassed \$1.5 billion, while in Honduras the damages ranged beyond \$4 billion. In the region as a whole, more than 9,000 people were killed, 3 million displaced, and \$8.5 billion in damages incurred. Hundreds of bridges, thousands of schools and clinics, and thousands of kilometers of water systems and roads were destroyed. Agricultural crops sustained severe losses that will take many years to restore.

The initial United States government (USG) response to the hurricane is generally acknowledged to have been swift and effective. Prior to Mitch landfall on the Central American coast on October 28, 1998, the US Agency for International Development (USAID) and the Office of Foreign Disaster Assistance (OFDA) had already dispatched a Disaster Assistance Response Team (DART) to the region to coordinate the USG relief effort for Central America. On November 5, President Clinton announced a \$70 million aid package, which was increased to \$263 million, to be implemented through USAID/OFDA, USAID/Food for Peace (FFP), the Department of Agriculture (USDA) and the Department of Defense (DOD). The USAID contribution was oriented toward immediate disaster relief including health and sanitation needs, food, shelter, emergency commodities, airlift, and logistics.²

USG Initial Response to Hurricane Mitch (in millions US\$)

	U S A I D/ O F D A	F F P	D O D	U S D A	O t h e r
C e n t r a l A m e r i c a	30	35	130	63	5

The USAID Mission in Honduras immediately began purchasing relief supplies, and began by November 1 to deploy DOD aircraft for overflight assessments, search and rescue missions, and delivery of relief supplies. US private voluntary organizations (PVOs) in the region interviewed for this report were generally pleased by the rapidity and flexibility of the USAID response. An example of this was funds made immediately available to CARE Honduras for emergency operations.³

² USAID/BHR/OFDA Fact Sheet #17

³ Interview CARE Honduras 12/6/00

By mid-November, USAID had some 18 helicopters and 4 cargo planes distributing supplies. Also by mid-November, there were seven USAID/OFDA DART members operating in Honduras. With support from the Miami-Dade County Fire Department and the US Forest Service, they assisted the National Emergency Council's (CONEH) Emergency Operations Center, conducted field assessments, and coordinated aircraft and transport logistics, among other activities. USAID also provided emergency grants to US PVOs such as a \$2.1 million grant to CARE to assist affected populations with basic needs.⁴ By the end of the first 30 days after the hurricane, USAID had spent some \$30 million in Honduras.⁵

In Nicaragua, the pattern was similar: immediate purchase of relief supplies, airlifts of those supplies to affected areas and assistance in conducting assessments, search and rescue missions, and logistical coordination. By mid-November, there were 8 helicopters operating in Nicaragua. Large quantities of supplies were airlifted to Nicaragua and then distributed to affected communities. By early November, 135 flights to 66 affected communities had been carried out. Ten USAID/OFDA DART members were posted in Nicaragua.⁶

The initial emergency phase, which lasted some 30 days, also benefited from the presence of 5,000 active duty armed forces personnel, who were deployed in Honduras and El Salvador. The DOD spent some \$55 million in the first 30 days in Honduras alone. A second phase, which was called "New Horizons" and was scheduled to last until September 1999, involved some 21,000 troops. These were mostly National Guard and reserve units, used in a wide variety of tasks, including engineering and medical assistance, and direct construction.⁷ The airlift of food from the United States after the hurricane became the largest such effort in US history, involving 84 million pounds of food by the end of December 1998.⁸

The Stockholm Declaration

USAID played an important role both before and during the Consultative Group meeting held in Stockholm, Sweden between May 25 and 28, 1999. In Stockholm, the Central American governments presented their reconstruction plans and the donors pledged various amounts of aid for the reconstruction and transformation of the region. USAID produced a series of concept papers, including documents on municipal development and watershed management, which contributed to the discussion among donors, governments and civil society. The US delegation, was lead by Brian Atwood, Director of USAID, and Mark Schneider, then Latin America Director. Carl Leonard also played a helpful role facilitating contacts and access of civil society groups from both the north and south.

The Stockholm Declaration, issued on May 28, 1999, laid out the agreements in general terms reached between donors and Central American governments with respect to the principles to guide reconstruction efforts. The Stockholm principles, as they have come to be known, can be summarized as follows:

⁴ USAID/BHR/OFDA Fact Sheet #19

⁵ USAID/Honduras Hurricane Mitch Special Objective, p. 3

⁶ USAID/BHR/OFDA Fact Sheet #19, p. 4

⁷ USAID/Southern Command press release, 6/25/99

⁸ Hurricanes Mitch and Georges: From Relief to Recovery, Executive Summary, p. 3

- Reduction of social and ecological vulnerability in the region.
- Reconstruction and transformation based on an integrated approach of transparency and good governance.
- Consolidation of democracy and good governance, reinforcing the processes of decentralization of government functions and powers, with the effective participation of civil society.
- Promotion of the respect for human rights in general, with a particular emphasis on promotion of the equality of women, children, ethnic groups and other minorities.
- Coordination of donor efforts within the framework of priorities established by governments in the region.
- Intensified efforts to reduce the external debt burden.

It is important to note that the Stockholm meeting represented significant advances on a number of fronts. It was the first time that civil society organizations, both from Central America and many European countries, were allowed to participate in official government delegations and be present as more than observers at a meeting of the Consultative Group and regional governments. This victory came after months of advocacy in both the south and the north to ensure broader inclusion of non-governmental organizations in the proceedings.

It was also the first time in the history of the Consultative Group meetings on Central America that the international donor community was persuaded to envision its response to a natural disaster as an opportunity to develop a new approach to relief and reconstruction. The Stockholm principles embody this commitment to orient international aid towards long term solutions that address the fundamental causes of poverty and vulnerability. In this sense, the Stockholm declaration represents commitments to development principles long advocated by civil society actors.

The Stockholm meeting also generated new levels of coordination between both European, North American and Central American civil society organizations, and within Central America itself. In the region this meant a broader coalescing of diverse social sectors and an increased capacity to articulate detailed and viable proposals. In the emergency immediately following the hurricane, broad new civil society coalitions emerged in both Honduras and Nicaragua, and the Stockholm meeting provided both a platform and a mechanism for their voices to be taken into account in plans made by donors and governments.

Thus the Stockholm meeting and the principles that emerged from it set the stage for potential changes in the way foreign aid has been traditionally programmed and delivered, and for changes in the relationship between donors, governments, and civil society, and the roles each play in the development process.

USAID Strategy in the Region

On February 16, 1999, President Clinton announced a request to Congress for \$956 million in supplemental funds for countries affected by Hurricanes Mitch and Georges. On May 21, 1999, the US Congress approved \$280 million to repay amounts used during the emergency relief

efforts and another \$621 million in grant funding to create the Central America and Caribbean Emergency Disaster Recovery Fund (CACEDRF). Of the \$621 million, \$509 million was assigned to USAID with the other \$112 million going to the more than a dozen other US agencies involved in reconstruction efforts.⁹ CACEDRF funds were supplemental allocations in addition to funds for USAID’s ongoing (regular) country programs. All CACEDRF resources are therefore new funds specifically for the hurricane reconstruction.

The almost six month delay to approve an aid package after Hurricane Mitch by the US Congress was a set back for continuity of relief and reconstruction efforts. USAID was able to cover ongoing relief activities by reprogramming existing funds, but start up of reconstruction activities was delayed significantly longer.

CACEDRF Funding

Country	Amount (millions USD)
Central America	
Costa Rica	5
El Salvador	22.1
Guatemala	25
Honduras	291
Nicaragua	94.1
Caribbean	
Eastern	3
Dominican Republic	29
Haiti	9.8

In both Honduras and Nicaragua, USAID prepared “Hurricane Mitch Special Objective” packages to guide disbursement of Mitch supplemental funds. Mitch supplemental funds were to be spent in a two-year period ending on December 31, 2001, and to be accounted for and evaluated separately from USAID’s ongoing country programs.

The reconstruction special objectives naturally vary country by country, but have several elements in common. There is a strong emphasis on economic reactivation, but portfolios also include health, education, housing (in Honduras), environment and disaster mitigation, municipal development, and accountability. Reflecting USAID’s philosophy of development, and compounded by the short term nature of the reconstruction effort, there is a preference within all program areas for small and medium sized infrastructure projects, with less emphasis on training, institution building, and human development, although components vary considerably by project and by country. To some extent these foci are compensated by USAID’s regular programming, not analyzed here.

In both countries, USAID relied heavily on the pre-existing network of counterparts, or partner agencies who implement projects with USAID funds, and to some extent on the pre-existing program areas or areas of specialization. USAID’s partner agencies are those groups, both North

⁹ Hurricanes Mitch & Georges: From Relief to Recovery. Executive Summary, pp. 1-3

and Central American, that are granted funds to implement programs in the region.¹⁰ This was perhaps an inevitable outcome due to the severe time pressure they were under from both the US Congress and US civil society to disburse reconstruction funds quickly. Because the special objective packages were prepared prior to the presentation of government reconstruction plans, there is some question as to their coherence with those plans, an issue to be addressed below.

Additionally, there is the concern that national civil society voices were not taken into account in the design of the reconstruction programs, the decisions as to priorities, and the policies to guide their implementation. It should also be noted that the political situation in Nicaragua during much of 1999 and 2000 was significantly worse than in Honduras. Widespread polarization, sporadic violence, a government essentially hostile to civil society (and at times indifferent to the donor community), the politicization of the Controller General's Office and the political pact between the *Sandinistas* and the Liberal Party, all undermined conditions for the implementation of a coherent and participatory reconstruction effort.

DESCRIPTION OF RECONSTRUCTION ACTIVITIES IN HONDURAS AND NICARAGUA

In general, care seems to have been taken to assure that supplemental funds are directed only toward communities actually affected by the hurricane. In both countries, the government declared the official areas affected by the storm, and USAID programming has been limited to those areas, with the exception of support to relocated communities.

Because specific projects were designed in large part by partner organizations working in country, responsibility to assure that projects reflect priorities in any given community rested with the implementing agency more often than with USAID field staff. Many types of assessments and inventories were conducted after the hurricane, and these were used on a local basis to determine priorities.

The extent to which USAID priorities correspond with those of civil society at the national level is difficult to ascertain because few groups in Central America advanced proposals for a breakdown of funds by sector. In general however, local civil society groups were in disagreement with the government emphasis on infrastructure rehabilitation, arguing that these improvements would be unsustainable without broader social, political, and economic reforms. A description of programs in both countries, area by area, follows.

Economic Reactivation

Programs directed toward economic reactivation have received large amounts of funding in both Nicaragua and Honduras. Economic reactivation, however, appears to be something of a catch all that includes a wide variety of activities, from road construction to micro-finance. The

¹⁰ Grantees differ from contractors in that the former develop their own proposals to implement specific projects under USAID guidelines, while the latter are hired directly to do specific tasks. An example of the latter is the Environmental Health Project in Nicaragua, which was contracted by USAID to dig deep wells, among other things.

widespread use of food for work and cash for work programs raises questions as to the longer-term sustainability of the interventions, given that these programs tend to improve family food security or raise family income for a very short period.

In **Nicaragua**, economic reactivation was programmed to receive \$52 million for four types of projects: agricultural practices (analyzed separately), watershed protection and land reclamation, rural roads, and micro-finance. This includes 1,375 km of farm to market roads that were scheduled for rehabilitation and 1,100 km of watercourse for clearing. Much of this work was done through food for work or cash for work programs implemented through CARE, the Adventist Development Relief Agency (ADRA), Save the Children, and Project Concern International (PCI).

ADRA officials described the methodology used for beneficiary selection as starting in Mitch-affected communities and then looking for the most vulnerable families to participate in food for work programs. These decisions were based on the community census taken after the hurricane and involved community leadership. They noted that because they had been a presence in most of the region for the last 10 years, it was not a difficult process.¹¹

Early on, problems were experienced in the quality of road construction. CARE personnel noted that many of these interventions were designed with food or cash for work precisely to get income into the hands of Mitch-affected families, that is, as income-raising interventions more than road construction projects. As such, work was to be done mostly by labor intensive methods. The US Army Corp of Engineers, however, recommended improvements in road quality and as a result, more heavy equipment was brought in to build roads estimated to last at least three years.¹²

By October, 400 km of roads had been completed, benefiting some 520 communities. CARE officials noted that local governments were actively involved in planning for road construction and had some participation in design. In all cases, local authorities are involved in paying for local labor through the cash for work programs.¹³ Credit programs had reached 36,000 agricultural producers and 18,000 micro-entrepreneurs.¹⁴

In **Honduras**, economic reactivation was initially slated to receive \$121 million. By September 2000, they had broken this down into two categories: \$68 million for economic reactivation and another \$48.6 million specifically for roads and bridges. The road improvements were targeted toward farm to market roads around secondary cities, to repair some 1,250 km of road and 2,000 meters of bridges. By September 2000, approximately 250 km of roads had been completed with work going on in another 360 km. Approximately \$47 million has been committed to these projects. Eventually these roads will link 375 communities, connecting some 2 million people to secondary cities and markets.¹⁵

¹¹ Interview, ADRA Nicaragua, 11/23/00

¹² Interview, CARE Nicaragua, 11/23/00

¹³ Interview, CARE Nicaragua, 11/23/00

¹⁴ Supplementary Reconstruction Programs USAID/Nicaragua, Sept. 30,2000, p. 2

¹⁵ Dos años después del Mitch, USAID/Honduras, November 2000, p. 2

The other major component of the reactivation funds was allocated to credit and technical assistance, amounting to \$56 million. The credit programs will make grants to two main targets: NGOs administering micro-finance programs and commercial banks to make direct loans to micro, small and medium businesses in the agriculture sector; and NGOs earmarked for lending to small producers. The small business program has already reached 27,062 micro-businesses with some 42,000 loans. Loans are medium term in duration, with the aim of re-capitalizing these businesses.¹⁶ Some \$5 million was lent by the end of the year 2000. USAID reports that 85 percent of the beneficiaries of the small and medium business loans are women.¹⁷

Agriculture

Agricultural programs vary from reclamation of damaged lands to the promotion of sustainable agricultural practices. They are often submerged in the greater economic reactivation portfolio, thus total amounts of financing were not available. This report separates them out because it was in these interventions that implementing agencies most often noted impacts that transcend reconstruction of damaged infrastructure and include transformative elements. That is, social, political or economic changes that may be sustainable after the project period, and thus contribute to the creation of more just, democratic, and equitable society. It is an assumption of this paper that the achievement of this kind of lasting change requires changes in the knowledge, capacity and attitudes of individuals, as well as strengthening the myriad organizations and institutions, both public and private, that contribute to development. Changes in physical capital (roads, bridges, water, or sewerage) are a necessary but not sufficient condition for development. Without the changes in human capital, and the social, economic, and political systems in which they are immersed, these improvements, in and of themselves, are usually unsustainable.

In **Nicaragua**, projects to promote sustainable agricultural practices have reached 38,000 small farmers. CRS officials report success with crop diversification and installation of micro-irrigation. Systems run off of hand pumps and utilizing drip technology have allowed small hillside farmers to extend their growing season and grow cash crops such as onions and peppers where they had not before. They note helpful inputs from the USDA and cite excellent informational exchange between USAID partners working in agriculture. CRS supported producers in Estelí recently held a best practices workshop for all USAID partners to disseminate their successes. They have recently begun a promising new pilot initiative to support organic production for small farmers with the help of a local firm, Soledad Orgánica.¹⁸

CARE officials noted that with USAID funds they are able to implement road, water, and agricultural projects simultaneously in regions like Estelí, creating greater impact and leveraging additional local resources. They also noted that they had presence in all of the Mitch-affected

¹⁶ Supplementary Reconstruction Programs USAID/Honduras, Sept. 30, 2000, p. 2

¹⁷ Dos años después del Mitch, USAID/Honduras, November 2000, p. 3

¹⁸ Interview, CRS Nicaragua, 11/23/00

areas where they are currently working, except Jinotega, and that this has facilitated greater involvement of local government, whose strengthening is part of their overall philosophy.¹⁹

In **Honduras**, USAID has financed NGO and private sector programs aimed at small producers to diversify crops, use sustainable agricultural practices, and improve marketing techniques. Well-respected local institutions, such as the Zamorano Agriculture School, are among the partner agencies. Sustainable practices are especially aimed at hillside farmers, and include reforestation, mulching, and plant erosion barriers.

Most projects use a methodology developed in the US whereby individual farmers are helped to develop model techniques and then supported in diffusing them to their neighbors. They point to particular success with the introduction of techniques such as staggered planting and harvesting, which allows producers to spread out sales over a greater period of time, increasing profit margins dramatically.

Another positive aspect of the agriculture program is shown in work of counterparts such as Save the Children, who implement sustainable agricultural efforts within integrated projects (funded by USAID) that include educational, housing, and infrastructure components.²⁰ USAID reports that more than 2,000 producers and extensionists have received training in sustainable agricultural practices.

Health

Health programs also vary from infrastructure projects to rehabilitate damaged health facilities to more comprehensive interventions targeting maternal child health, AIDS, or other problems. In both Honduras and Nicaragua, the latter are based on an integrated management of childhood illnesses (IMCI) model.

In **Nicaragua**, of the some \$25 million earmarked for health programs, about half of that was scheduled to go to infrastructure projects, either in water and sewerage or facility repair. The infrastructure projects include the construction or repair of 2,550 rural water systems, 5,640 latrines, 28 health centers, and 32 health posts. The mission has bought 2 deep well drilling rigs (at a cost of \$1.5 million each) which are being deployed around the country for that purpose. They report that 10 environmental projects such as drainage filters and solid waste disposal have been completed. Work at 5 health posts was completed and work was underway in another 20.²¹

For the provision of health services, the mission has formed a consortium of 21 US PVOs and local NGOs, called Networks for Health, that is implementing community health and training projects. All those interviewed pointed to significant success of this model, citing increased coordination, synergy between groups, and greater learning from the experience of others. An example is CRS's work in 70 Mitch-affected communities that include not only basic health interventions but also strengthening local Ministry of Health staff and the creation of community

¹⁹ Interview, CARE Nicaragua, 11/23/00

²⁰ Interview, Save the Children USA/Honduras, 12/7/00

²¹ USAID/Nicaragua, Supplementary Reconstruction Programs, October 2000, pp. 3-4

pharmacies. For the Networks in Health initiative in total some 180 Ministry of Health staff and 650 community promoters will be trained.²²

In **Honduras**, the bulk of the funds (\$85 million) are targeted to reconstructing the water and sewerage systems that were, at the national level, set back twenty years by Hurricane Mitch. USAID is one of the major donors to water and sewerage reconstruction and its hope is to restore the country to its 1998 levels of 60 percent coverage by the end of 2001.

Title 2 food distribution, which was increased with Mitch supplemental funds, has gone well when distributed by CARE and CRS, but staff noted that the World Food Program has needed to improve its control mechanisms.²³

A \$10 million cross-cutting NGO grant that includes health interventions was delayed because of administrative problems until July 2000. This program, being implemented by CARE, CRS, Save the Children, and others, includes educational, housing, water, training, and other components for selected communities.

The mission's other public health initiative, involving \$4 million in reconstruction funds, includes public awareness campaigns designed by Johns Hopkins University to reduce barriers to health care access, a child health campaign, training of nurses and doctors, supply purchases, and equipment maintenance training. USAID personnel note they have had good collaboration from the Ministry of Health, and nationwide efforts have by and large prevented outbreaks of cholera and other diseases stemming from a lack of access to clean water.

Education

Again with education programs there is a focus on rehabilitation of infrastructure, particularly of the schools that were used as shelters by affected families immediately after the storm.

In **Nicaragua**, a total of \$4.5 million was slated for education programs. USAID plans to re-equip, refurbish, and re-supply 675 classrooms in 222 school serving around 25,000 students. Donations include school and teaching materials, supplies, classroom equipment, and furniture. An innovative aspect of these programs is that supplies are being purchased locally (rather than in the US) to support local businesses. Additionally, drinking water and latrines will be installed in 180 schools. Another 20 schools along the Rio Coco will receive small-scale rehabilitation. USAID reports the programs are on schedule and that supplies worth \$793,000 have been delivered to date.²⁴ The mission is supporting teacher-training programs to assist traumatized students, as well as drop out programs for out of school teens and adults.

In **Honduras**, a total of \$20 million was allocated for education programs, in general to expand pre-existing initiatives. Some part of this is dedicated to school reconstruction, although the focus of these efforts was changed in response to major investments of other donors. Currently,

²² USAID/Nicaragua, Supplementary Reconstruction Programs, October 2000, pp. 3-4

²³ Interview USAID/Honduras, 12/8/00

²⁴ USAID/Nicaragua Supplemental Reconstruction Programs, October 2000, pp. 4-5

the plan is to build 400 new classrooms in areas of relocated populations, and restore an additional 200 classrooms. Most projects are implemented through the Honduran Social Investment Fund (FHIS), which, by the end of September, was actively constructing 196 and repairing 83.²⁵

The mission in Honduras also has a series of non-infrastructure educational projects, including distance-education (through the radio), drop-out programs, and vocational training.

Housing

In **Nicaragua**, USAID has financed no housing programs because of concern over the land titling issue there. Also because properties of US nationals were confiscated during the *Sandinista* government of the 1980s, USAID has abstained from investing in new housing for Mitch-affected populations. During the emergency phase, they did fund the construction of 4,000 temporary family shelters through a \$1.6 million grant to the International Federation of the Red Cross and Red Crescent Societies.²⁶

In **Honduras**, USAID has made a \$20 million investment in housing projects. The mission supported the construction of temporary shelters, as well as transitional housing (often called *macroalberques*). USAID is supporting permanent housing construction for some 5,000 families, and indirectly for another 3,000, by supplying some aspect of a total package, usually installation of basic services or a land purchase. In some cases, it is using a voucher system, providing a small grant to individual families, who can then apply it to an NGO working on housing in their area. Major partners include the US based Cooperative Housing Foundation and Samaritan's Purse. To date some 2,040 families have been relocated in permanent housing.²⁷

Disaster Mitigation

Disaster mitigation activities often include the construction of drainage systems and reinforcement of riverbeds, as well as more complicated efforts to create monitoring and early warning systems for flooding of rivers. There is considerable overlap between disaster mitigation and other program areas, as many of the agricultural, economic reactivation, or municipal development investments also constitute disaster mitigation efforts.

In **Nicaragua**, disaster mitigation targeted 80 sites. Major partners include CARE, CRS and Save the Children. Training for disaster prevention was targeted to 350 communities in Mitch-affected areas and carried out in 229 to date.²⁸ An example is CRS's work with 6,000 families to develop

²⁵ Supplementary Reconstruction Programs, USAID/Honduras, Oct 2000, p. 3

²⁶ Correspondence, USAID/Nicaragua, 12/20/00

²⁷ Interview, USAID/Honduras

²⁸ Supplementary Reconstruction Programs, USAID/Nicaragua, Oct 2000, p. 5-6

terracing for hillside farming, tree planting, and filtration ditches.²⁹ Many of these efforts are carried out using food for work. Early warning systems are also being installed on several rivers.

At the national level, the US Federal Emergency Management Agency (FEMA) has provided legal and technical assistance to help create a national emergency system.

In **Honduras**, efforts have focused on flood prevention early warning systems for the Aguán and Choluteca basins as well as 12 primary and secondary cities, including infrastructure and training for local officials. They have supported the development of a geographic information system and installation of 16 river current monitoring stations. Positively, some of these systems were already in place and utilized during last year's rains. They have provided technical assistance to the Honduran Emergency Management Organization (COPECO) and are working on developing local emergency management plans as described in the municipal development section. USAID reports that of the 150 communities where it is involved, 30 have completed these plans.³⁰

Municipal Development

In **Nicaragua**, the municipal development program consists mostly of small infrastructure projects executed through the Nicaraguan Social Investment Fund (FISE), although local government staff is involved in project selection. Funds were disbursed directly to the municipalities of Matagalpa and Leon. USAID and US PVO personnel report that in some cases, local government officials also assist with design and implementation of infrastructure projects, resulting in some indirect strengthening of municipal capacity. A US PVO official also suggested that USAID did not fund more municipalities directly because of the high scrutiny level to which Mitch supplemental programs were subject.³¹ USAID officials deny this claim and assert that early in the design phase of the reconstruction programs, other donors, including Japan, Taiwan and the IDB, announced large municipal development programs. Given this, USAID decided to focus on 20 smaller municipalities, and with the time constraint, needed an agile contracting mechanism that led them to select the FISE over 20 municipal contractors.³²

This lack of a municipal capacity building component appears, however, to be a weakness of the Nicaragua program. While both the widespread lack of capacity in project administration and financial management, and the likelihood of significant levels of corruption within some municipalities, are indeed deterrent factors, the lack of pre-existing municipal partners and the short-term time frame of the reconstruction effort are no doubt also culprits. Given the emphasis to municipal strengthening—among other issues—in USAID rhetoric around the Stockholm meeting, it is surprising a more comprehensive approach was not undertaken in Nicaragua.

The USAID Mission in **Honduras** has developed a more ambitious and comprehensive municipal strengthening package, based in large measure on its successful program carried out since 1993 in 40 of Honduras's 298 municipalities. The explanation given for the emphasis

²⁹ Interview, CRS Nicaragua

³⁰ Dos años después del Mitch, USAID/Honduras, Nov. 2000, p. 8

³¹ Interview, CARE Nicaragua, 11/23/00

³² Correspondence from USAID/Nicaragua, 12/20/00

placed on municipal strengthening is the strong role local governments have played in the relief and reconstruction efforts after the hurricane. Given the ineffectiveness of the central government, many municipalities were left to fend for themselves after the storm, increasing public pressure as they depleted most of their available resources.³³

USAID's program is implemented primarily through the same two Honduran partners who continue to simultaneously carry out their regular program: the Foundation for Municipal Development (FUNDEMUN) and the Central American Technological University (UNITEC), both of which expanded their capacity with USAID funds to implement the reconstruction program. What has changed are the municipalities receiving assistance, and some components of the program. Beneficiaries of the reconstruction program include 55 local governments in areas which follow the swath of Mitch across the country. Not all towns receive the same level of assistance, and included among these are many towns where USAID has a history of work and some 15 completely new towns.

FUNDEMUN provides technical assistance directly to local governments to assist their financial recovery—at least to pre-Mitch levels. This is done through improved management and accounting systems, more accurate tax collection, and an improved cadaster as well as strengthened administrative capacity. To date about 21 municipalities have achieved this. FUNDEMUN also assists with issues related to resettlement of affected families and strengthening the public works units, where these exist. This last aspect is important because it includes tariff studies (types and amounts of user fees that a town can charge for basic services), which USAID hopes will contribute to the sustainability of the improvements.³⁴

FUNDEMUN is working with local officials in 40 localities to develop more comprehensive emergency plans, of which 8 were completed to date. With OFDA assistance risk zones and shelters are identified, training carried out with local officials and community members, and plans developed. A training of trainers program is being implemented with the manuals developed at the national level. Urban planning efforts are underway in 20 localities to improve zoning, land use, housing, transportation, and infrastructure planning.

Citizen participation in town hall meetings is also monitored in all of the municipalities in USAID's regular program, with goals set for completion of the 5 meetings annually as stipulated by law. Total and current income, administrative costs, and coverage of basic services are also monitored and figure in FUNDEMUN's impact indicators.

USAID staff noted that it was unfortunate that no small reconstruction infrastructures projects are being managed directly by local governments (they are done through FHIS), although FHIS and local government coordination is good. They explained that FHIS has three separate—and complicated—bidding processes (design, construction, and supervision) all of which are awarded to joint proposals by US and Honduran companies. Project selection is determined through town meetings, based on the local post-Mitch needs assessment. A new national government effort

³³ Interview USAID/Honduras, 12/8/00

³⁴ Interview, USAID/Honduras, 12/8/00

underway will begin to delegate FHIS bidding and construction responsibilities to local government in a pilot program in 10 localities.³⁵

There has been widespread and long-standing allegations of political manipulation of the location and timing of projects executed by social investment funds in the region. Both missions will need to remain vigilant with regard to resources channeled through the respective funds with electoral periods approaching in both countries.

Accountability and Transparency

In **Nicaragua**, \$1 million was set aside for programs to increase host country transparency. This entire amount is being passed to the Inter-American Development Bank (IDB) as a contribution to its multi-donor regional transparency project. With regard to accountability, the USAID mission in Nicaragua asserts that it is not an issue that affects them directly, and hence additional funds did not need to be invested.³⁶ This is due to the fact that no USAID funds are being channeled directly through the government of Nicaragua, with the exception of the FISE, where a separate unit has been established to handle USAID funds. Given the severe problems with the transparency of the current government of Nicaragua this is an understandable, although perhaps lamentable, position. Through their regular program, the mission does fund more transparency initiatives, including support for the National Anti-Corruption Commission, the establishment of a government wide integrated financial management system and Controller General's Office. With the recent restructuring of that office for political reasons, USAID Nicaragua was forced to withdraw its long-term advisor.³⁷

In **Honduras**, the direct support to the Controller General's office has continued, and grantee staff responsible for the program report significant success.³⁸ USAID's program is limited to the unit which handles international donors, although they note the World Bank is developing a program to strengthen the entire office. US training is directed to the 13 staff people of the international audit unit as well as 18 others of the Controllers office, as well as equipment and support. They note that the strong donor demand for transparency has led to GOH support for the program, although structural problems persist, such as low pay scales, which will undermine the sustainability of the advances.

A promising new initiative of the USAID Controller in Honduras involves work on the "demand side" of transparency, that is, increasing citizen demands for an efficient and accountable government by supplying the public with the necessary information, at both the national and local levels, that will permit it to understand government programs and investments. This initiative contemplates a wide variety of strategies to make this information available, specifically around the poverty reduction strategy that forms part of the Highly Indebted Poor

³⁵ Ibid

³⁶ Interview, USAID/Nicaragua, 11/22/00

³⁷ Correspondence, USAID/Nicaragua, 12/20/00

³⁸ Interview, Casals and Associates, Honduras, 12/8/00

Countries (HIPC) initiative. This is possible, the mission asserts, because for the first time they will have a long-range strategic plan with clear benchmarks for measuring progress.³⁹

QUANTITIES OF AID COMMITTED AND DISBURSED

The quantities of aid committed and disbursed to different programs in Honduras and Nicaragua presented here are all taken from USAID documents. While there are minor discrepancies between sums reported at different times, in different formats, and in different documents over the past year, the latest figures were taken where possible. It should be noted that in the immediate response to the hurricane and in early phase of the reconstruction effort USAID regular program funds (non-Mitch supplemental) were used for Mitch-related purposes. Because CACEDRF funds have stringent accounting requirements imposed by the US Congress, they are reported on separately by USAID. Thus total disbursements to Mitch-related activities are slightly higher than the quantities listed below and no effort has been made here to quantify regular program expenditures. Table 1 shows the overall disbursement levels with regard to the reconstruction funds. Both missions have moved very quickly to get programs started, although there have been more delays in Honduras than in Nicaragua. According to USAID documents, these levels of expenditures are at, or exceeding, expected levels.

Table 1: Status of Overall Expenditures as of September 30, 2000

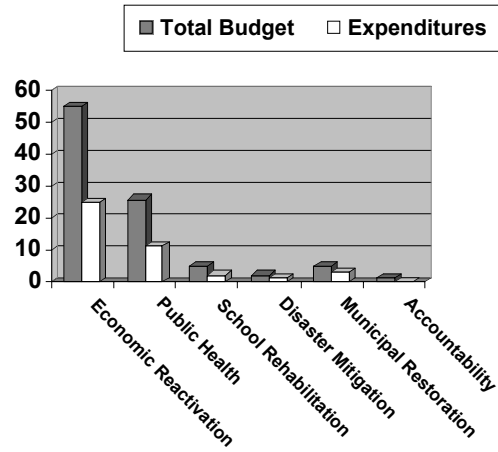
	Total Budget	Obligations	Commitments	Expenditures
Nicaragua	\$94,108,000	\$94,108,000	\$92,389,807	\$39,794,072
Honduras	\$293,100,000	\$293,100,000	\$258,572,225	\$60,022,218

Table 2: USAID Reconstruction Funds, By Country & Sector (millions of dollars)

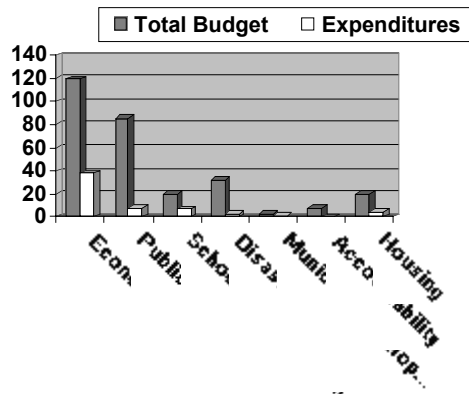
³⁹ Interview, USAID/Honduras, 12/8/00

Program	Nicaragua	Honduras
Economic Reactivation	52.9	68
Roads and Bridges		48.6
Water and Sanitation		85
Education	4.5	20
Health	25.1	5
Housing		20
Disaster mitigation and Environment	6.6	32
Municipal Development	3.7	3
Transparency	1	8
Totals	94.1	293

USAID Programs in Nicaragua: Budget and Expenditures by Program



USAID Programs in Honduras: Budget and Expenditures by Program



In Table 2, the breakdown of budgets to each program area can be seen. Specific amounts of expenditures were not available for each program area. Rather the graphs reproduced here are taken from USAID documents which give a sense of the proportions of expenditures by program area. Both graphs represent only actual expenditures, in millions of US dollars, rather than the commitment of funds summarized in Table 1 above.

With respect to the quantities of aid disbursed, USAID officials noted that given the urgency of the situation and the short period for execution, an intensive effort was undertaken to develop and commit funds to projects much more quickly than the normal time frame.

Officials in Nicaragua noted that this involved a significant amount of trust in the PVO partners, and a mutual decision to approve projects quickly, understanding that adjustments and modifications might have to be made if and when problems were encountered during implementation.⁴⁰

Disbursement appears to have moved more quickly in Nicaragua, where there was less funding channeled through the government than in Honduras, and also perhaps because of a broader base of partner agencies operating in country. In both countries, USAID had to hire additional staff to manage the reconstruction programs. In Nicaragua, the Mitch Coordinator estimated that there were about 28 staff people working solely on reconstruction programs.⁴¹ In Honduras, a USAID official estimated an additional 20 people had been hired since the hurricane.⁴²

COMPARISON OF COMMITMENTS AND ACTIONS

In comparing commitments and actions, this study seeks to identify those areas where USAID programs have lived up to the spirit of the Stockholm principles and those areas that need to be strengthened. In addition, we have sought to identify lessons learned that could be of value in other such efforts. An initial assessment of the coherence of the relief and reconstruction programs starts this section. Analysis of USAID programs with respect to four variables follows: environmental vulnerability, civil society participation, donor coordination, and transparency. Additional analysis is offered with respect to other Stockholm principles: the reduction of poverty and social vulnerability, decentralization, and the inclusion of women, children and ethnic minorities.

Coherence of Relief and Reconstruction Efforts

Two levels of coherence can be analyzed with respect to USAID programs: continuity between relief and reconstruction efforts and coherence with national government reconstruction plans. With respect to the first aspect, it appears that USAID contributions to the reconstruction efforts are providing coherent follow-up to the relief efforts. Relief funds were directed towards food, water, health, and (in Honduras) shelter. Reconstruction projects are directed to all of these same areas. Many of the same partner agencies with long experience in the affected areas were involved in both phases, providing additional continuity. In both countries, programs have been developed to prevent future disasters from taking such a high human toll (described above in the disaster mitigation section and analyzed below in the reduction of environmental vulnerability section). The efforts to put in place disaster prevention systems are one of the clearly transformative elements that emerged from the relief phase, but which will require continued support to make them truly effective and sustainable for the long term.

With respect to the relationship between the USAID portfolio of projects and the priorities developed in the national reconstruction plans, several elements can be mentioned. First, USAID

⁴⁰ Interview, USAID/Nicaragua, 11/22/00

⁴¹ Interview, USAID/Nicaragua, 11/22/00

⁴² Interview, USAID/Honduras, 12/07/00

programs are clearly targeted to affected areas, and, following the priorities established by national governments, directed toward rehabilitation of basic infrastructure.

Second, because national government capacity in both countries is weak in the areas of planning, monitoring, and budget transparency, it is difficult to establish to what extent USAID programs complement nationally funded programs, and to what extent there is conflict or redundancy. Although both the government of Nicaragua and the government of Honduras have issued reports on their national reconstruction programs, it is difficult to discern within these reports which projects are funded with internal resources and which with external resources. Further, reports from those who have studied the most recent national budget in Nicaragua concur that it is unclear what internal resources the government of Nicaragua is actually investing in reconstruction.⁴³

Third, significant effort has been directed toward donor coordination in both countries (analyzed below in more detail), an effort that by and large seems to be significantly more successful than in the past.

Lastly, it is worth mentioning that USAID Honduras has consciously taken upon itself the unglamorous role of “filling in the gaps” in projects being implemented by other donors and/or the government of Honduras. Officials there were able to cite examples of this from many sectors: for example, a housing project by another donor that lacked funds for basic services, or an NGO construction project that required a land purchase by a municipality without funds to do so. In these cases, the mission has stepped in to provide the missing elements. While this has no doubt slowed the overall commitment of funds at some level, it is a commendable decision that has allowed many other projects that would have been dropped, been less effective or left uncompleted, to be fully implemented.

Reduction of Environmental Vulnerability

Environmental vulnerability, while also a complex phenomenon related to poverty and social vulnerability, is at least somewhat more measurable in quantitative terms. All of USAID’s environmental and disaster mitigation projects are designed to reduce the ecological vulnerability of populations affected by Hurricane Mitch. Again the question here is not whether gains have been made, but if those gains can be sustained by the governments, local or national, of the region, or by Central American civil society organizations.

In this light, some types of projects seem more likely than others to be sustainable for the medium to long term. The interventions which involved significant training of local officials and community members, such as the elaboration of emergency plans in Honduras, or the strengthening of national coordinating bodies in both countries, could, with appropriate follow-up, reduce environmental vulnerability. What is needed is continued support to allow these efforts to consolidate, gain experience in facing each years challenges, and to slowly institutionalize their presence and operating procedures. Groups at the national level, such as COPECO and Nicaragua’s National Emergency System, will of course require ongoing funding

⁴³ Interview, USAID/Nicaragua, 11/22/00

by their respective governments, additional training as staff turnover depletes their stock of experienced disaster managers, and the support, resources and supplies necessary to operate effectively during an emergency. Gains made in clarifying the national and local policy situation are likely to help make this possible over the medium term.

Projects in both countries which have created early warning systems—most involving stream-flow monitoring stations on rivers at risk of flooding—are another candidate for effectively reducing environmental vulnerability, as maintenance of these stations is minimal and their use creates an obvious and tangible benefit to local authorities along these watersheds. The efforts in Honduras to create a distribution center and provide easy access to multiple users for this type of data (through UNITEC) are also hopeful signs that these efforts will be sustained. The lack of secure land tenure in Nicaragua continues to increase environmental vulnerability.

Housing projects which have moved people to safer areas, and sustainable agriculture efforts (which involved terracing, grass barriers, and mulching on hillside farms, and which are followed up on over the next few years) are both candidates for sustainable reduction of environmental vulnerability, as the direct users have a high stake in maintaining them.

We know from experience that the least sustainable of the projects are the vast numbers of infrastructure improvements that have been carried out after Mitch. Maintenance of these works, whether they are a reinforced stream bed to reduce flooding, a road or bridge to facilitate evacuation, or a piece of reclaimed land, will require regular upkeep, continued investments, and clear responsibility for the above by some institution. Past efforts show us the Central American governments have not always had the resources, capacity, or political will to do so. Training in maintenance skills of local officials or community members involved in constructing these works, providing them simple tools and spare parts, were elements that were often less emphasized in the rush to reconstruct Mitch damaged infrastructure, but would most likely be insufficient in any case. USAID's PVO partners are cognizant of this, the sustainability issue being the most frequently raised when asked about challenges in their work.

Over the medium to long term the maintenance of public infrastructure requires strong and well financed local and national governments. The maintenance of private infrastructure requires economically healthy communities and a strong and clear regulatory framework enforced by some branch of government. Neither of these conditions exist as of yet in Central America. It is a sad fact, stated clearly by the US Ambassador to Nicaragua, that much of the disaster mitigation work done through the hurricane reconstruction programs of USAID have been stop gap measures to prevent the situation for many communities from worsening over the next few years.⁴⁴ While at one level this is a commendable humanitarian response, at another it is simply throwing money away on projects known to be unsustainable without significant changes in the economic and political panorama of Central America. This is not to criticize USAID for investing in stop-gap measures, but to highlight the need to take stronger action with respect to strengthening the capacity of national actors, both public and private, to carry out long overdue changes in socioeconomic policy and reforms to the political systems.

⁴⁴ Interview, US Ambassador to Nicaragua

Civil Society Participation

Civil society participation can be analyzed on two levels with respect to USAID reconstruction programs in the region. The first relates to the participation of beneficiary populations in the reconstruction projects executed with USAID funds. The second concerns USAID's contribution to the broader process of state-civil society dialogue that has emerged around the reconstruction agenda. It is this second level that will be addressed in this paper.

While it is beyond the scope of this study to assess the level of beneficiary participation in the reconstruction projects, interviews with USAID officials and US PVO personnel revealed that community labor (paid or unpaid) is often considered to constitute effective participation in a project. While many of the PVOs implementing programs with USAID funds have an integral and comprehensive philosophy of sustainable human development, it appears in some cases that participation methodologies were limited in their scope given the urgency of the reconstruction projects and the short time frame for their completion.

In **Nicaragua**, at the national level, the National Council for Social and Economic Planning (CONPES) was created in August 1999 as a consultative body to advise the President of Nicaragua regarding, among other issues, the formulation of social and economic policy and the national budget, and to follow-up to the Consultative Group meetings of the donors. Civil society participation within CONPES includes the Civil Coordination for Emergencies and Reconstruction (CCER), the National Farmers Union (UNAG), the Nicaraguan Community Movement (MCN), trade unions and universities, among others. CONPES appears to have been significantly hampered in its work by a lack of resources and support staff, by a vacillating government commitment to civil society participation in general, and the series of political crises that have embroiled Nicaraguans in the last two years. Gains have been made however, in terms of consulting civil society on the first draft of the poverty reduction strategy. Unfortunately, these processes of consultation have not necessarily been reflected in draft strategies submitted by the government for consideration by the boards of the international financial institutions.

While USAID appears to have maintained a good working relationship with CONPES, there was no direct funding of its activities, nor of the CCER, the main civil society coalition advocating for broader participation in the definition of reconstruction plans and priorities. They have, through their regular program, funded two NGOs within the CCER, and provided technical inputs to both of the social audits carried out by the CCER.⁴⁵ Nor does it appear that USAID played a particularly instrumental role in brokering relationships, contacts, or dialogue. This may reflect USAID's less influential role in Nicaragua (having been long surpassed by the European Union and the multilateral development banks as the major donors) or the difficulty of bridging the gap between a right wing government and a civil society generally on the left.

In either case, given the polarization of Nicaraguan society and the resistance of the government of Nicaragua to giving civil society any real voice in policy making, it would appear USAID lost an opportunity to play a more constructive role at the national level. USAID officials assert that this has been virtually impossible given the highly volatile political situation of the country.⁴⁶

⁴⁵ Correspondence, USAID/Nicaragua, 12/20/00

⁴⁶ Ibid

Nonetheless, renewed efforts to broker dialogue, support individuals or ministries within government with a greater openness to civil society, and to condition continued aid on meaningful reforms and follow through on commitments to civil society are all warranted. Their success will, however, be dependent on overcoming the significant obstacles created by a government essentially hostile to civil society, and a political pact between the Liberal and Sandinista parties which limits democratic participation by other constituencies on many fronts. Fostering broader participation is critical to the sustainability of any of the gains USAID programs have made on other fronts, and is therefore worthy of special attention.

In **Honduras**, the Civil Society Participation Commission was formed by the GOH (Decree No. 047-99) after the Stockholm meeting and has been the central vehicle for the inclusion of citizen voices in the reconstruction process. Civil society groups participating include the Chambers of Commerce of Tegucigalpa and San Pedro Sula, the Association of Mayors, Interforos, the National Convergence Forum (FONAC) and the Citizen Forum (Foro Ciudadano), although this last group withdrew earlier this year. Like the homologous Nicaraguan entity, its formal task is to act as an advisory body to the President and provide follow-up to the government reconstruction plan. While the Participation Commission has met more regularly than CONPES in Nicaragua, it has been hampered by the same lack of technical and administrative support. While the government of Honduras has gone further than the government of Nicaragua in terms of establishing regular meetings with civil society, it is still unclear whether these meetings are producing any tangible results. For civil society participation to be meaningful, they need not only be listened to, but their suggestions taken into account on occasion, with demonstrable changes in policies, priorities or strategies. To date, this has still not happened.

Under Swedish leadership, the donor coordination group began regular meetings with members of the Participation Commission, achieving some notable successes in pressuring the government of Honduras for greater consultations with civil society, as noted below in the section on coordination of aid. USAID has established a good ongoing dialogue with the Commission.

Governance and Transparency

There are two levels at which transparency issues can be analyzed: the impact of USAID programs on increasing transparency within host government agencies involved in reconstruction programs, and the transparency of the USAID missions themselves.

With respect to the first issue, this has been a greater concern in Honduras than in Nicaragua because greater quantities of funds were channeled through the host government in the former. USAID in Honduras has worked directly with the auditing unit of the Controller Generals office to strengthen its capacity, and reports satisfaction with the capacity level of that institution to carry out audits of USAID reconstruction funds. An example of this is that other donors have requested that this unit of the Controller's office also audit their programs.⁴⁷ In Nicaragua, they have relied on contracting external auditing firms to conduct these functions.

⁴⁷ Interview, Casals and Associates, Honduras, 12/8/00

Reliance on external audits neither addresses the corruption problem nor builds state capacity to create and sustain transparent institutions over the long run. Transparent government functioning requires that institutions be able to account not only for funds spent, but for reforms in contracting, allocation and budgeting decisions; access of the public to detailed and timely information; and the civil service among others. While the regional IDB-led transparency project will presumably incorporate these elements, they also require strong political will on the part of national governments and continued pressure by all the international donors. For USAID to maintain its influence over the institutions involved, it is important to be engaged with them through ongoing capacity building programs.

The use of the social investment funds for the reconstruction of Mitch damaged infrastructure (FISE and FHIS in Nicaragua and Honduras, respectively) is again a short term solution that fails to build governmental capacity. While these funds in the region have generally been credited with greater efficiency and less corruption, they present their own limitations. All of the funds were designed to be temporary—most with life spans of no more than four years—with capacity to be transferred to the appropriate line ministries and local government entities over this period. This has not happened, so that the social funds in essence continue to duplicate government functions without the restraints of civil service and ministerial contracting requirements.

Because they rely on private sector for profit construction firms, the funds tend to focus exclusively on infrastructure projects, with no significant participation by, or training and capacity building of, community residents and local governments. Lastly, because the funds tend to execute a multitude of small projects in dispersed communities, there have been widespread allegations that the location and timing of projects is manipulated for political purposes, especially during electoral periods. Thus, while the social funds may have been a good choice to ensure rapid and transparent execution of small infrastructure projects, they fail to build any state capacity to transform the situation of inefficient, corrupt, and unaccountable central and local government institutions.

Lastly, transparent and accountable government requires not only strengthened state institutions, it requires an active, informed and well organized public demanding that government at all levels account for its actions, spending and decisions. As mentioned above, the “demand side” initiative of the USAID controller in Honduras demonstrates that there is a role for USAID here, too: making information available to the public, in Spanish, in ways in which local people can access and understand it.

With regard to the second issue, transparency of the USAID missions themselves, several points are in order. First, the Mitch reconstruction programs are being very thoroughly monitored and evaluated at several different levels. Each of the implementing agencies has its own set of monitoring and evaluation systems, often with benchmarks and indicators common to several agencies within broad program areas. The USAID missions in country have a person assigned to each project who monitors activities, conducts site visits, assists in the resolution of problems, and approves modifications of activities or budgets during the implementation process. A third level of oversight exists through USAID’s Regional Inspector General (RIG), which has been conducting concurrent audits,⁴⁸ site visits, and ongoing monitoring of many of the projects. A

⁴⁸ Concurrent audits consist of auditing the financial disbursements of a project in the course of execution.

fourth level of oversight consists of the General Accounting Office (GAO) whose staff has been traveling from Washington, DC, every other month to conduct both financial and programmatic evaluation and monitoring. Lastly, all projects are audited annually by external firms. On top of this there has been a regular flow of visitors and press from the US interested in seeing firsthand the reconstruction programs.

These five levels of oversight constitute a virtually foolproof system to insure that funds are directed to the agreed upon activities. Several grantees complained that this level of monitoring is excessive and actually hinders program execution.⁴⁹ All agreed that additional staff time (and in some cases, additional staff) had to be dedicated to working with auditors and outside evaluators. One agency commented that they had set aside a room in their office for the visiting auditors, because they came so often.⁵⁰ The Mitch coordinator for USAID in Nicaragua mentioned that a large amount of his time is dedicated to coordinating site visits for GAO auditors.⁵¹ While this level of oversight is commendable, it is worth investigating if procedures can be streamlined or consolidated to interfere less with grantee program activities.

Secondly, the USAID missions in both countries have made a large quantity of documents available to the public through their web pages, including both financial and programmatic information. This includes the Mitch special objective packages, budget information, contact information for partner agencies, periodic updates, congressional testimony, among other documents. USAID offices in country have additional information available, including press releases, information packets, and reportage capturing community voices and personal stories of individuals benefited by USAID programs. More information should be available in Spanish, in simplified formats, and should include lists of all projects sponsored and where they are being implemented so local organizations that wish to monitor USAID programming can do so more easily.

The requests for information and interviews for this study were met with openness and access to a wide range of officials within the missions. Mission staff in both countries facilitated and supported the researcher in obtaining the necessary documents and interviews. While there have been reports of reluctance of USAID staff to meet with regional civil society actors, the level of transparency of the reconstruction programs appears to be exemplary. USAID should, at best, make it a policy to meet with local civil society organizations on a regular basis, or minimally, promptly respond to requests when they are received.

Coordination of Aid and Reconstruction Programs

As a concrete follow up measure to the Stockholm conference, a donor coordination group was formed to meet regularly in each country. The Group of Five, as it was called, was originally comprised of the US, Sweden, Spain, Germany, and Canada. Gradually over the past year and a half this group has been growing and now includes Japan, the Netherlands, the IDB, the IMF, the United Nations Development Program (UNDP), and the World Bank.

⁴⁹ For example, interview CARE Nicaragua, 11/23/00

⁵⁰ Interview CRS Nicaragua, 11/23/00

⁵¹ Interview, USAID/Nicaragua, 11/22/00

In both Honduras and Nicaragua, this forum has played an important role in initiating processes of donor coordination. The degree to which they have followed through and achieved results vary from country to country and sector to sector, but in general terms, it appears that coordination mechanisms are more successful at the national level in Honduras and the local level in Nicaragua. In Honduras, this is perhaps due to the creation of the sector working groups, which convened donors and NGOs at the national level to coordinate efforts. In Nicaragua, civil society demands, both before and after Stockholm, that the government of Nicaragua reactivate the sector planning commissions were unsuccessful. Given the absence of formal mechanisms at the national level, donor coordination has taken place empirically in the field, at the project level. As noted below, however, USAID has promoted more systematic coordination mechanisms among its partner agencies, which appear to be successful.

In both countries, coordination meetings at the highest level (ambassadors) began after the Stockholm conference. The Spanish government, which initially took responsibility for convening the sessions, passed this responsibility to the Swedes in March, and the US has taken its turn starting this past September 2000. In consultations carried out for this study, national NGOs criticize the Spanish for excessive formalism, little access by civil society and little initiative.⁵² The most important accomplishment of this period was the structuring of a series of indicators and benchmarks for government, donor and civil society follow up and compliance. These indicators were jointly developed by consultants representing the three parts in both countries, although their effectiveness has diverged widely. In Honduras, they were able to move beyond a long list of items to identify a few key benchmarks for each aspect of compliance with the Stockholm framework. In Nicaragua, they were not, and the original document, being very long, detailed and unwieldy, has generally not been widely used as a reference since then.⁵³

The direction of the follow-up group also diverged in Honduras and Nicaragua after the period of Spanish coordination. In the former, the process opened up, included civil society actors and eventually the government, while in Nicaragua it has stayed as a high level forum. The US Ambassador to Nicaragua reports that it has been a successful mechanism for exerting greater leverage on the government of Nicaragua to comply with various aspects of the Stockholm accord, and has allowed donors to speak out with a united voice on issues that individually they would not have.⁵⁴ That is, it has played an important diplomatic and political function. This is to be commended, and with current US leadership of the donor group, hopefully strengthened.

All of the US PVOs implementing USAID programs interviewed in Nicaragua reported excellent coordination taking place at the community and departmental level around many of the specific projects.

In Honduras, the donor coordination process improved markedly with Swedish leadership, adding levels of interchange: a second tier of agency heads who met with civil society regularly, and a third tier of technical cooperation which involved the creation of 13 working groups by sector or theme. Results from the second tier meetings in Honduras (agency heads with civil

⁵² Interview, INTERFOROS, 12/6/00

⁵³ Interview, USAID/Nicaragua, 11/23/00

⁵⁴ Interview, US Ambassador to Nicaragua, 11/23/00

society) include widening the government of Honduras proposed consultations around the poverty reduction strategy to include the regions as well as the capital, and scheduling another donor-government-civil society meeting for Honduras.⁵⁵

The sector working groups in Honduras are coordinating efforts in the following areas:

- Education
- Health
- Rural development and food security
- Watershed management, reforestation and environment
- Micro and small business and finances
- Bridges and highways
- Water and sanitation
- Housing
- Disaster prevention and mitigation
- Decentralization and municipal strengthening
- Justice
- Transparency
- Macroeconomic policy and poverty reduction

USAID is participating in all of these, and coordinating several of them, including the working groups on decentralization, justice, housing and macroeconomic policy.

In Honduras, the US government, with the active support of USAID, is taking its responsibility for the coordination of the follow-up group seriously and has already made some changes. It has invited the government of Honduras to participate in the second tier meetings, and are planning to integrate local civil society organizations into the 13 working groups. In addition, they have scheduled a meeting in April in San Pedro Sula for donors, government and civil society to analyze achievements and setbacks in the reconstruction process and compliance with the Stockholm declaration.

Reduction of Poverty and Social Vulnerability

It is difficult to analyze impacts with respect to poverty reduction, as with social and environmental vulnerability, over the span of a few years. This reflects perhaps the central weakness in the USG approach to reconstruction and transformation in Central America: the two year time limit. All three variables are long term, and efforts to assess changes over a year or two are bound to be superficial and/or misleading. USAID is cognizant of this, and has by and large structured its intermediate results in the Mitch special objective documents accordingly. Some USAID officials in Nicaragua rightly speak of outputs rather than impacts when discussing the reconstruction efforts.⁵⁶

⁵⁵ Interview, INTERFOROS, 12/6/00

⁵⁶ Interview, USAID/Nicaragua, 11/22/00

An additional problem is that all of the components of the reconstruction programs: economic reactivation, health, education, environmental projects and disaster mitigation, municipal development, and even transparency can be seen as impacting poverty, directly or indirectly, at some level, over some period of time. This significantly complicates any easy inferences based solely on project data.

Given these constraints, USAID interventions that directly raise incomes of Mitch-affected families in a sustainable fashion are perhaps the most likely to reduce poverty over the medium term. The sustainable agriculture and microenterprise projects seem most convincingly to meet these criteria. The short-term income boosts achieved with food for work or cash for work programs, being unsustainable even over the short term, would need to be excluded from this category of sustainable changes. Programs that improve access to markets (such as roads), to health and education services, or which reduce vulnerability to future natural disasters, will, if sustained, have impacts over the medium to long terms. The innovative health programs in Nicaragua, and educational programs in Honduras are in many cases part of USAID's regular programming and will thus be sustained for the foreseeable future, albeit perhaps on a smaller scale. The road construction efforts that open access to markets, like the infrastructure projects, are unsustainable without ongoing commitments from local governments to assume responsibility for their maintenance. As noted above, most of the roads rehabilitated were designed to last only three years.

The elaboration of national poverty reduction strategies, while stemming from pressures related to International Monetary Fund (IMF) and World Bank conditionality regarding entrance to the HIPC program, provide some hope that both countries' governments will begin to invest in social programs, and to change social and economic policies, in such a way as to transform the structural conditions of poverty within which the majorities of both countries populations continue to suffer.

It remains to be seen, however, whether these efforts in fact represent real improvements over the structural adjustment programs both countries have been implementing for many years. While advances in civil society participation can be noted with respect to the poverty reduction strategies, this participation remains weak in large part due to government incapacity, lack of political will to take into account civil society's suggestions, and an orientation clearly more directed to the international financial institutions rather than their own citizenry.

It is interesting to note that the civil society transparency and participation demands born out of the reconstruction process are coming to be applied to the poverty reduction strategies as well. Both the Participation Commission in Honduras and CONPES in Nicaragua, created after Stockholm to provide follow up to the reconstruction plans, have become vehicles for civil society to comment on government drafts of the poverty reduction strategies. This is a sign that the Stockholm framework will be useful beyond the life of the reconstruction programs themselves.

In addition to the constraints mentioned above, social vulnerability as such is an even more complex phenomenon than poverty. Social vulnerability can be understood in several ways: class status or income level, gender, ethnicity, employment and educational status, levels of community organization, and/or exclusion and discrimination are all variables which have an

impact upon social vulnerability. As mentioned above, efforts to reduce poverty, and the advances in the national poverty reduction strategies as such, constitute some progress.

In Honduras, USAID's municipal development program has components of strengthening community participation and making local government more accountable to community needs. As noted above, this is attempted through greater emphasis on the town hall meetings required by law and helping mayor's offices to develop the basic community services required by their constituents. To the extent that they are successful in these efforts, social vulnerability could be reduced in these communities.

Changes in the national policy framework over the past year which hold out potential to directly impact the situation of exclusion and discrimination of women and ethnic minorities, to democratize citizen participation, or significantly alter the social and economic playing field, are few and far between. It could even justifiably be argued that Nicaragua has gone backward in some respects. It would be unfair, however, to place blame for these situations or the lack of progress on many fronts, on USAID. In the long run, as noted by the G-5 in Nicaragua, social vulnerability will only be reduced through sustained reductions of poverty and inequality.⁵⁷ USAID clearly has an important role to play, however, in continuing to push national governments toward democratic reforms, and conditioning their own aid grants on specific actions by national governments to create a policy framework conducive to equitable development.

Some examples of progress include the passage in April 2000 of the Gender Equity Law in Honduras, which mandates a minimum 30 percent participation of women in political party electoral slates, the reactivation of the Decentralization Commission and reforms to the Municipal Law in August 2000.⁵⁸ In Nicaragua, it is more difficult to identify concrete progress in the public policy realm which will directly impact social vulnerability.⁵⁹

Decentralization

Our assumption for this paper was that strengthening municipal government is the one key area where USAID reconstruction programs have a significant potential to make a contribution to the decentralization processes in Honduras and Nicaragua. Based on the available evidence, one could conclude that USAID has attempted this in Honduras but not in Nicaragua. While there may be extenuating circumstances to justify the decision of the Nicaraguan Mission not to undertake a municipal strengthening program, it appears to be an opportunity missed. Although funds are being channeled directly to Leon and Matagalpa for infrastructure projects, there is no reconstruction program which attempts to systematically increase municipal capacity to undertake public works, increase revenue or modernize administrative and financial management systems. The decision not to fund more municipalities directly was based on the time constraint, while the reason for not developing a more comprehensive intervention is unknown.

⁵⁷ Report of the Follow-up Group, p.1

⁵⁸ Informe de avance a dos años del Mitch, GOH, 99.29-31

⁵⁹ Report of the Follow-up Group, pp. 1-6

In addition to the multifaceted interventions described above in the municipal development section, it should be noted that the Honduran mission has been supporting the Association of Municipalities (AHMON) who have engaged in successful advocacy at the national level, helping passage of reforms to the municipal law this year, raising concern around the lack of central government transfer of the constitutionally mandated 5 percent to localities, and the reactivation of the National Commission on Decentralization. With regard to the 5 percent transfer, USAID officials in Honduras mentioned that the current level of transfers is 1.9 percent. AHMON has also started a lawsuit against central government, suing for payment of funds not transferred over previous years. A USAID official in Nicaragua commented that municipalities have less resources now than they did two years ago.

The use of the social investment funds in both countries for small infrastructure projects, rather than channeling these resources directly to municipal governments and helping them with management and administration, was an unfortunate decision for all of the reasons discussed above in the transparency section. While a minimal level of coordination between the social funds and local government may have been achieved in many cases, the funds have played no role in municipal strengthening and thus do not contribute to decentralization, and may actually hinder it. For this reason USAID should support efforts underway in Honduras to decentralize the FHIS and support these measures elsewhere in the region.

Women, Children, and Ethnic Minorities

While it is again beyond the scope of this paper to evaluate the level of incorporation of women and ethnic minorities in USAID programs in the two countries, a few observations are worth mentioning. In the Mitch special objective documents, the Honduran mission specifically identifies the participation of women and ethnic minorities at the local level within reconstruction programs as a goal of the crosscutting theme of poverty reduction. The Nicaraguan Mitch special objective document targets women as beneficiaries of the micro-credit and reproductive health programs. They also target school rehabilitation activities to the mostly indigenous area of the Rio Coco. Both missions report that women have indeed been the primary beneficiaries of micro-finance lending (75 percent in Nicaragua and 85 percent in Honduras)⁶⁰. In Nicaragua they note that the Rio Coco school rehabilitation is underway.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The initial US government response to hurricane Mitch has generally been acknowledged to have been swift and effective. The airlift of food to Central America after the storm was the largest in US history and the USAID/OFDA response on the ground was generally flexible and appropriate. While the Clinton Administration should be praised for its quick request of reconstruction funds for Central America, the US Congress delayed for six months before approving the Central America and Caribbean Disaster Recovery Fund. Combined with the

⁶⁰ USAID/Nicaragua Supplemental reconstruction Programs, p. 3; Dos años después del Mitch, p. 3

short (two year) time limit for the reconstruction programs themselves, this has undermined the ability of USAID to contribute significantly to not only reconstruct but to transform Central America, as committed in the Consultative Group meeting in Stockholm Sweden in May 1999.

This congressionally-imposed two year limit on the reconstruction programs is perhaps the single greatest limitation which will reduce the sustainability of gains made over the medium to long terms. All initiatives would require longer term follow-up to have a significant impact on the widespread poverty, and social and environmental vulnerability that was the cause of such extensive loss of life during Hurricane Mitch.

While USAID relied heavily in both countries on the pre-existing network of counterparts and on the pre-existing program areas, USAID contributions to the reconstruction efforts are providing coherent follow-up to the relief efforts. USAID programs are targeted to Mitch-affected areas and follow the priorities established by national governments toward rehabilitation of basic infrastructure. The use of counterparts with long histories of work in the region has heightened continuity and impact of the reconstruction programs.

The USAID sustainable agriculture and microenterprise projects that directly raise incomes of Mitch-affected families in an ongoing fashion are perhaps the most likely to reduce poverty over the medium term. These same sustainable agriculture efforts, with appropriate follow up, could also significantly reduce environmental vulnerability. The municipal development program in Honduras, if sustained, could contribute to a reduction of social vulnerability in a limited number of towns by making local government more inclusive and responsive. Disaster prevention projects which involve significant training of local officials and community members, with appropriate follow up, could reduce environmental vulnerability. Housing programs in Honduras have reduced vulnerability for relocated families.

Overall, however, there have been few changes in the national policy frameworks in Honduras or Nicaragua over the past year which hold out potential to directly impact the situation of exclusion and discrimination of women and ethnic minorities, to democratize citizen participation, or significantly alter the social and economic playing field.

Given the urgency of the reconstruction projects and the short time frame for their completion, participation methodologies in USAID projects were limited in scope in some cases, lowering effective participation by beneficiaries in the selection and design of projects. Participation by local residents was often limited to providing local labor for infrastructure rehabilitation.

At the national level, while new mechanisms were developed in both countries to provide vehicles for civil society participation in the reconstruction planning, these efforts have shown few tangible results, in large part because of continuing governmental unwillingness to alter plans, policies and strategies in response to suggestions by citizen groups. Governmental planning and policy making continues to be primarily oriented to satisfying international donors rather than national publics. In Nicaragua, CONPES has been significantly hampered in its work by a lack of resources, support staff, and by government vacillation regarding civil society participation. In Honduras while the Participation Commission has been hampered by the same lack of technical and administrative support as in Nicaragua, they have achieved some more success in pressuring the government of Honduras for greater consultations with civil society. In

neither country has USAID played a particularly high profile role in facilitating state-civil society dialogue at the national level.

With respect to efforts to strengthen the transparency of host government institutions and promote good governance, USAID in Honduras has successfully strengthened the capacity of the auditing unit of the Controller General's office. USAID in Nicaragua has been unable to carry out a serious effort to strengthen transparency within the government of Nicaragua in large measure because of political events in that country. Some of their ongoing efforts to support the Controller General's office have been suspended because of politicization of that institution.

The five levels of oversight of USAID reconstruction programs, which range from internal grantee monitoring and evaluation systems to bimonthly visits by the GAO, constitute an effective system to insure that funds are directed to the agreed upon activities. While the level of transparency of the USAID missions themselves with respect to the reconstruction programs is commendable, more needs to be done to disseminate programmatic information in Spanish and institutionalize communication and consultation mechanisms with local civil society.

In both Honduras and Nicaragua, the G-5 mechanism has played an important role in initiating processes of donor coordination. In Nicaragua, the G-5 has been more successful in exerting greater leverage on the government of Nicaragua to comply with the Stockholm accord than any of the countries individually would have been able to. In Honduras, the G-5 has initiated a series of mechanisms, with different actors meeting at different levels, which appears to be enhancing coordination significantly.

In particular, the thirteen sector working groups in Honduras constitute an innovative and effective means of donor coordination. In Nicaragua, donor coordination appears to be more successful at the local level, coordinating around specific projects, in part because of an absence of governmental leadership. In both countries, follow-up indicators were developed to monitor compliance with the Stockholm accords. It appears, however, that these have been useful in Honduras but not in Nicaragua.

In Honduras, USAID has attempted to make a significant contribution to the decentralization processes through its reconstruction programs, including components to strengthen municipal capacity on a number of levels. In Nicaragua, this has not happened. Overall, there are some signs of progress on this issue in Honduras, including passage of reforms of the municipal law.

Both missions made an effort to identify ways to benefit women in the reconstruction programs and their Mitch special objectives report that women have been the primary beneficiaries of micro-finance lending (75 percent in Nicaragua and 85 percent in Honduras).

Recommendations

Given the conclusions presented above with respect to the strengths and weaknesses of the reconstruction programs in Honduras and Nicaragua and their overall compliance with the spirit of the commitments made by the US in Stockholm, Sweden in May 1999, Oxfam America recommends the following actions:

- The traditional approach to emergency reconstruction funding should be reevaluated in the light of the Stockholm principles. These principles were a useful starting point to transforming relief aid, but did not go far enough in generating a debate about the continued constraints of short-term funding cycles and the need for better integration of relief and reconstruction programs with long-term development programs.
- Additional funding should be granted to the USAID missions in Honduras and Nicaragua to provide follow-up to those elements of the reconstruction programs that hold out significant possibilities to transform the region. Municipal development, sustainable agriculture, disaster prevention, programs that provide access to credit, and programs which involve training of government personnel and community members should all be extended to ensure the sustainability of gains made.
- The US government should continue to stress the importance of the Stockholm principles with governments in the region and to look for effective ways to incorporate them in USAID programming.
- The US government should continue to support the donor coordination mechanisms developed after Stockholm. The feasibility of replicating the Honduran model of sector working groups in the other Central American countries should be explored.
- The initiative of the USAID Controller in Honduras to develop a “demand side” approach to transparency should be supported and replicated if successful.
- Both USAID and the GAO should make public the results of their extensive monitoring and evaluation efforts, including provisions to translate them into Spanish and disseminate them in the region.
- If year-end evaluations are generally positive, efforts should be made to reduce oversight of USAID partner agencies to ensure that these mechanisms do not interfere with program implementation.
- USAID should renew its commitment to dialogue with civil society, instituting permanent mechanisms for two-way communication such as monthly or quarterly briefings for interested groups.
- USAID should undertake formal national consultations with Central American civil society organizations regarding the priorities, policies and strategies to be implemented in their regular programs in 2002, once the Mitch reconstruction programs are terminated. USAID’s ongoing programs should be linked to the priorities and goals expressed in the national poverty reduction strategies that are being developed as part of the HIPC initiative.

Appendix 1: List of Acronyms

ADRA	Adventist Development and Relief Agency
AHMON	Honduran Association of Municipalities
CACEDRF	Central America and Caribbean Emergency Disaster Recovery Fund
CONPES	National Council for Social and Economic Planning
COPECO	Honduran Emergency Management Organization
CCRE	Civil Coordination for Emergency and Reconstruction
CRS	Catholic Relief Services
DOD	US Department of Defense
FEMA	US Federal Emergency Management Agency
FISE	Nicaraguan Emergency Social Investment Fund
FHIS	Honduran Social Investment Fund
FUNDEMUN	Foundation for Municipal Development
GAO	US General Accounting Office
GOH	Government of Honduras
GON	Government of Nicaragua
IDB	InterAmerican Development Bank
IMF	International Monetary Fund
MOH	Ministry of Health
NGO	Non Governmental Organization
PCI	Project Concern International
PVO	Private Volunteer Organization
USAID	US Agency for International Development
USDA	US Department of Agriculture
OFDA	US Office of Foreign Disaster Assistance
UNDP	United Nations Development Program
UNITEC	Central American Technological University
USG	US Government

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Annex 3: List of Interviews

Nicaragua

Marilyn Zak, Mission Director, USAID
Margaret Kromhout, Program Coordinator, USAID
Efraín Martínez, Economist, USAID
Tomás Membraño, Mitch Coordinator, USAID
Oliver P. Garza, US Ambassador to Nicaragua
M.J. Conway, Director, CARE
Mark Snyder, Director, Catholic Relief Services
Richard Jones, Program Official for Civil Society, Catholic Relief Services
Isidro Rodríguez, Associate Director, Adventist Development and Relief Agency
Marta Avilés, Program Official for USAID, Secretariat of Economic and Cooperative Relations, Ministry of Foreign Relations
Mauricio Gómez Lacayo, Secretary of Economic and Cooperative Relations, Ministry of Foreign Relations

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Richard Layton, Controller, USAID
Duty Greene, Economist, USAID
Loreta Williams, Municipal Development, USAID
Marc de Lamotte, National Director, CARE
Edith Rivera, Project Official, Save the Children
Sergio Díaz & Miguel García, Casals & Associates
José Martínez, Interforos
Dr. Wilfried Liehr, Director, GTZ
Sergio Bahr, Oxfam International
Vicky Gass, WOLA