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1. Reconstruction Program Design, Coordination, and Implementation

"For years we couldn't talk about anything else. . .and it was obvious that we weren't doing it from an urge to clear up mysteries but because none of us could go on living without an exact knowledge of the place and the mission assigned to us by fate."

Garbriel Garcia Marquez

1.1 Introductory Overview

Hurricane Georges struck the Caribbean in September 1998 with winds clocking 135 mph and with 20 inches of rainfall in two weeks. Less than a month later, Hurricane Mitch struck Central America with winds up to 180 mph. Some regions reported over 70 inches of rainfall. In addition to torrential rain and deadly winds, the two hurricanes unleashed a series of landslides and floods whose devastation are still visible throughout the region.

Loss of life totaled over 10,000 people, in the worst natural disaster in the Western hemisphere in recent memory. Damage to infrastructure, agriculture and other productive activity are estimated at over \$10 billion. In addition to these severe losses, Georges and Mitch exerted a heavy psychological toll throughout the region. Families saw their homes washed away, businesses lost all their productive assets, poor farmers watched helplessly as what was expected to be an abundant harvest was destroyed, and children in some communities watched in horror as their families and neighbors were lost in floods or landslides. In a region prone to natural disasters and chronic poverty, Georges and Mitch wrought a new and tragic level of devastation.

In response, the people and governments of the region, joined by the United States and other donors, undertook the challenging process of emergency response, recovery, and reconstruction. This report describes the U.S. Agency for International Development's (USAID) coordination of the reconstruction program undertaken by USAID and other U.S. Government agencies with funds appropriated by Congress



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through the 1999 emergency supplemental appropriation Central America and Caribbean Emergency Disaster Relief Fund (CACEDRF).

USAID is the lead agency in the reconstruction effort. The CACEDRF appropriation included not only \$621 million for emergency recovery activities, but also \$25 million for reimbursing the USAID Office of Foreign Disaster Assistance, \$150 million for reimbursing the Department of Defense New Horizon and de-mining programs, and \$41 million for debt relief. The \$621 million appropriation is broken down as follows:

- USAID Mission bilateral and regional assistance: \$517.6 million
- Interagency agreements with 12 USG agencies: \$95.9 million
- Regional Inspector General (RIG), General Accounting Office (GAO), and USAID administrative support: \$7.5 million

Honduras, which received the brunt of Hurricane Mitch, was allocated \$293 million. Nicaragua was allocated \$94.1 million.

Participating USG agencies with direct agreements with USAID (excludes additional CACERDF funding received from USAID):¹

Department of Commerce (b)	\$16.0 million
Centers for Disease Control & Prevention (b)	\$15.0 million
U.S. Geological Survey (b)	\$13.25 million
Department of Agriculture (b)	\$13.0 million
Federal Emergency Mgmt. Agency (b)	\$ 3.0 million
Environmental Protection Agency (b)	\$ 2.0 million

Participating USG agencies with transfers (excludes additional CACERDF funding received from USAID):

Department of State (a)	\$12.0 million
Housing and Urban Development (a)	\$10.0 million
Peace Corps (a)	\$ 6.0 million
EXIM Bank ² (a)	\$ 2.7 million

¹ Received additional CACERDF funding from USAID missions. The (a) and (b) notations refer to the type of IAA signed between USAID and the recipient USG agency: (a) = 632(a) and b = 632(b). The 632(a) agreements entailed transfers, while the 632(b)s are collaborative activities implemented by the recipient agencies under USAID coordination.

² EXIM Bank's original funding was for \$10 million. However, in FY 99 EXIM Bank agreed to return approximately \$6 million they believed they would not be able to utilize in their loan guarantee activities.



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Hurricane Mitch was a once in a lifetime occurrence, yet a similar event, or even one of lesser magnitude, could merit a comparably massive response by the U.S. Government. Within this context, this assessment focuses on practices and lessons learned in the coordination of the U.S government (USG) reconstruction program in Washington, DC and the field, and on USG reconstruction response in the future.

The assessment's intent is to provide USAID with actionable recommendations that can be readily digested by multiple actors and stakeholders, and applied to future reconstruction programs. Many of these recommendations emanate from USAID staff themselves, and should assist the Agency in capitalizing on the many good practices developed in the reconstruction program. In the words of one Foreign Service Officer (FSO) in the field: "...people spend too much time reinventing the wheel. We now have a rare opportunity to use the Mitch experience.... We need to put the lessons learned in an accessible form and place." To that end, this report makes extensive use of interview quotes and examples, to illustrate specific lessons, frustrations, and suggestions and to provide the LAC bureau with an authentic account of Hurricane Mitch Reconstruction experiences.

The assessment focused on five of the seven countries affected by Georges and Mitch. Haiti and Cost Rica were not included in this phase of the assessment due to the relatively small size of their reconstruction programs. Field trips were conducted in the other five countries, which included Honduras, Nicaragua, El Salvador, Guatemala, and the Dominican Republic.

2. Reconstruction Program Coordination and Implementation

This section summarizes coordination issues and constraints encountered during the Hurricane Mitch Reconstruction lifecycle, describes effective responses and practices, and highlights suggestions by USAID, USG agencies, host governments, and implementers for addressing future reconstruction challenges. Each subsection concludes with bolded recommendations.

Two points about coordination and implementation must be made at the outset. First, most respondents praised USAID's coordination of the reconstruction process. In addition, many interviewees from

The assessment's goal is to provide actionable recommendations that can be readily digested by multiple stakeholders and applied to future programs.



The “Call to Action” demonstrated the Administration’s commitment to a large-scale reconstruction program while signaling that existing USAID mission budgets and capacities were inadequate to implement the reconstruction program envisioned by the White House.

participating agencies, host governments, and implementing partners expressed gratitude for the assistance and partnership they received. Second, in spite of the huge reconstruction portfolio and significant constraints, USAID coordination of the reconstruction program has ensured that almost the entire reconstruction portfolio will be successfully completed by December 31, 2001. As this report goes to press, the vast majority of programs are on schedule for completion by this date.

Overview of the U.S Reconstruction Effort

As the initial disaster response came under control and the magnitude of the damage became evident, there was emerging recognition within the USG that a large U.S. reconstruction effort would be needed to meet the immense humanitarian needs of the region and to address potential economic, social, and political instability and dislocation. In issuing his "Call to Action" in late 1998, President Clinton demonstrated the Administration's commitment to a large-scale reconstruction effort, while signaling that existing USAID mission budgets and capacities were inadequate to implement the reconstruction program envisioned by the White House. The President’s “Call to Action” was the key driver of the collective USG agency response.

Before Hurricanes Mitch and Georges, the Clinton Administration had formed a mental model for leveraging agency- specific programs into broader, holistic Federal initiatives, such as the 1995 Urban Empowerment Zone and Enterprise Community Initiative (EZ/EC). Under the leadership of Vice-President Gore’s Community Empowerment Board, EZ/EC required every cabinet-level department to provide technical and program resources to inner-city community development. In retrospect, it is not surprising that when faced with the seemingly insurmountable challenge of Hurricanes Mitch and Georges, the White House solicited programmatic involvement from Federal agencies with domestic portfolios.

In late 1998, the inter-agency meetings in Washington at the National Security Council and Department of State, as well as subsequent meetings at USAID involving eventual USG participating agencies, began to craft the USG reconstruction program in preparation for the Administration's request to Congress and in anticipation of other donors' plans and commitments. At the same time, USAID missions were consulting with other donors in the field, sharing assessment



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information, and making preliminary determinations on who might take the lead in various sectors and regions in the affected countries.

Amid the Kosovo crisis and impeachment pressures, an angry and skeptical Congress, continuing news coverage of the aftermath of Mitch and Georges, and an effort to catalyze other donors, the Administration requested the Emergency Reconstruction Supplemental appropriation on February 16, 1999. As one interview respondent who worked on the Supplemental noted, the Administration emphasized the emergency nature of the request, and hoped to expedite its passage.

The OMB Statement of Administration Policy to the House of Representatives on March 24, 1999 describes the Administration's multiple goals for the Supplemental:

"The President's Central America package is urgent, unanticipated, and essential and should be funded as an emergency request. Funds must be provided swiftly to prevent the spread of disease and to buy seed and plant crops in the fast-approaching Spring planting season, thereby providing food and jobs to many communities, and to demonstrate to Central Americans that they can find jobs and security in their own recovering economies."

While the Supplemental language itself does not specify a timeframe, USAID negotiated the December 31, 2001 deadline in order to gain passage of the bill.

Stockholm and "Build Back Better"

While communicating great urgency to the Congress, the Administration worked to focus the donor community on the opportunities posed by reconstruction to "build back better." As stated in the LAC Bureau's memorandum on "USAID's Lessons Learned for Planning and Implementation":

"There was general agreement that a U.S.-led response of the international community for reconstruction called for a program that would not simply replace what was destroyed, but 'build back better,' and with lasting impact. This vision of the reconstruction program had to accommodate strong Congressional views that the program not be used to augment USAID's ongoing development program"

At Stockholm, the Consultative Group expanded the emphasis on improved and lasting impact to include the goal of "transformation."



The contradictions between "build back better," transformation, and transparency and accountability on the one hand, and the emergency nature of CACEDRF on the other have posed continuing challenges.

Congress passed the Supplemental Appropriation in mid-May, providing the Administration with the opportunity to announce CACEDRF at the Stockholm Consultative Group meeting later that month. At Stockholm, the Consultative Group expanded the emphasis on improved and lasting impact to include the notion of "transformation," as well:

"At this second meeting of the Consultative Group, held in Stockholm 25-28 May 1999, the Governments of Central America and the international community have committed themselves to sharing the responsibility for achieving the reconstruction and the transformation of the countries concerned...."

Donor Focus on Transparency and Accountability

The Stockholm Declaration also focused on transparency, given the history of corruption in the region. Even without the time constraint for completing all activities, ensuring transparency and accountability in an effort as immense as the Hurricane Mitch Reconstruction Program was a daunting task: program activities occurred in poor countries where hurricane damage was often worst in remote areas, where labor and materials are generally scarce and their cost is generally low, the number of implementing partners with the capacity and experience to perform the work was small, and where corruption is widespread.

The contradictions between "build back better," transformation, and transparency and accountability, and the emergency nature of CACEDRF have posed continuing challenges. As this report helps illustrate, the brief timeframe would exacerbate other constraints, including the absorptive capacity of the recipient countries, USAID missions, USG participating agencies, and implementers.



2.1 Reconstruction Program Time Frame

Observations and Interviewees' Suggestions:

Time was the major constraint in the reconstruction program. In the course of assessment interviews and meetings with other evaluators, the team heard frequent reference to committed USAID staff working 14-hour days under constant pressure to obligate and expend funds. Most interviewees considered the 30-month time frame to be insufficient for reconstruction, and several believed the deadline prevented optimal results. One USG interviewee stated, "In three or four years, we would have been able to do a better job with the same amount of money. The program would have been different." A USAID staffer observed, "The time limit was a major constraint. Decisions ruled by this variable aren't results-oriented...." When asked where post-Mitch funds should be directed, some respondents said, "I would rather have more time than more money."

Mission staff differed on the extent to which they knew or understood the time constraint. A senior level respondent in one mission said that in designing its Reconstruction Special Objective (SpO), the mission was unaware of the 30-month timeframe, requiring staff to "retrofit" the program after Congress passed the Supplemental. In another mission, senior staff reported that they were aware of the general timeframe during the design process, but that they did not know for certain whether the 30-month period covered obligation or expenditure of funds, or program completion. In yet another case, mission senior staff said they were aware of the timeframe, and designed their Reconstruction Program in terms of what could be completed in two and one-half years.

Respondents across all categories suggested that different aspects of reconstruction require different timeframes. They also stressed that agency headquarters and Congress should be mindful that months-long rainy seasons further limit productive activity in construction, farming, and watershed management activities, and should be factored in when determining the implementation timeframe.

Many stated that reconstructing water and sanitation systems, roads and bridges, and other large infrastructure requires more than 30 months years. They emphasized the start-up time required for site studies, design work, and the competition process before implementation can begin.

The 30-month timeframe was the greatest constraint in the reconstruction program. Yet many mission staff were unclear about this constraint during the design process.



Respondents from different USG agencies suggested that "reconstruction is an incremental process" and that a "two-track approach" should be used. They advised separating urgent and longer-term reconstruction activities. Opinions on sectors to be excluded from emergency supplementals included "trying to achieve economic recovery" in two and one-half years and the caveat, "Don't use an emergency program to build institutions."

Recommendations:

2.1.1. In order to maximize taxpayer funds and ensure long-term results, reconstruction programs and activities should focus on sustainability, rather than on expending all funds within a 30-month time period.

2.1.2. USAID, the Congress, and all participating agencies should have the same expectations regarding the time period for implementing reconstruction activities, in order to prevent misunderstandings, inefficiencies, and the need to retrofit strategies and programs to adjusted timeframes.

2.1.3. USAID field missions should define the appropriate timeframe for infrastructure projects, such as large water and sanitation projects or roads and bridges. The Congress and USAID should negotiate a longer time frame for supplemental funding of such activities, which require more time for appropriate and sequenced site studies, designs, competitive processes, and construction. In addition, program completion deadlines for all supplemental activities should take into account opportunities to capitalize on dry and wet seasons.

2.2 Assessments and Design

Observations and Interviewees' Suggestions:

USAID and the USG agencies whose programs the missions would later coordinate conducted their assessment and design processes separately. USAID missions were months ahead of their USG colleagues in assessment and design, due to missions' field presence, their ability to reprogram funds, and the timing of the Supplemental: The Inter-Agency Agreements (IAAs) funded by the Supplemental were not signed until September 1999. By this time, USAID reconstruction programs were underway.

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Missions' reconstruction assessment and design work occurred during the disaster response phase. In addition to their own staff, missions drew upon varying combinations of OFDA, USAID/Washington (USAID/W) staff on TDY, consultants, and limited Office of Transition Initiatives (OTI) and USG involvement, e.g., by OTI and the U.S. Geological Survey in Honduras. Due to different management practices, degree of damage, available staff and skills, and willingness to absorb TDY staff, Missions varied in the speed with which they conducted their assessment and design work and in their ability to fund awards when the Supplemental was signed.

Most USAID mission interviewees said that, during the design and assessment process, they were unaware that other USG agencies would be involved in reconstruction. Nor were most of the missions able to benefit from other USG technical skills while developing the USAID strategies.

The later timing of the USG agencies' assessment and design work reduced the extent to which their funding under the Supplemental was informed by need. The later entry of the USG cohort, for which the participating agencies themselves were not responsible, also inhibited the development of more integrated USG strategies and programs, and increased the complexity of USAID's coordination process.

One respondent who was involved in the preparation of the Supplemental stressed the need to "formulate a more comprehensive and coordinated assessment of needs" for the medium term, since OFDA's assessments are only for immediate disaster response. The program manager of one of the USG participating agencies complained that, "After the storm of the century, Congress threw money at the problem and then asked the agencies what they could do.... The bill was not based on need; assessments occurred after the level was set." Echoing this statement, and praising USAID's efforts to integrate the USG agencies, one senior U.S. foreign policy official stated, that the participating USG agencies "didn't have a program; they had an appropriation.

To improve the assessment and design process, numerous interviewees responded positively to the idea of a multidisciplinary reconstruction assessment and design team, which was one of the "Lessons Learned" proposals that PwC ground-truthed in this study. Respondents' suggestions for such a "Reconstruction Assistance Team (RECAT)" emphasized the need for administrative as well as technical skills, and

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Reconstruction Status should trigger a set of actions and procedures to accelerate mission responses in coordinating the USG reconstruction program.

stressed that the team should be deployed for at least three months for both assessment and design work.

Opinions varied on including other USG agencies on a RECAT. Some respondents suggested that in addition to USAID, other USG agencies with reconstruction skills and experience should participate. Others felt that USAID staff alone should constitute the RECAT and then engage other USG agencies in reconstruction activities as needed. As one USAID staffer summarized, "This [USAID] team would lay out a strategy and the funding before other USG agencies arrive with their team. AID needs to take a more proactive role in the assessment and then guide the teams."

Recommendations:

2.2.1. "Reconstruction Trigger"

A request by the President and subsequent authorization by the Congress of reconstruction programs (perhaps designated as "Reconstruction Country Status") should trigger a series of actions and procedures, including:

2.2.1.1. The USAID Administrator becomes the President's International Reconstruction Coordinator with oversight of USG agency involvement. The USG Reconstruction program is managed by USAID via delegated authority from the Administrator to the Mission Director.

2.2.1.2. Blanket waiver authorities apply to all reconstruction procurement activities, including Personal Services Contractor (PSC) recruitment and hiring. "Notwithstanding authority" continues throughout the reconstruction period and is clearly communicated to Congress, all missions, USG participating agencies, and reconstruction program implementers. All geographic coding of SpOs, SOAGs, and awards uses the broadest source origin codes (e.g., 935 or 941), Congressional Notification of reconstruction program occurs at the SpO, rather than Intermediate Result level.

2.2.1.3. USAID/W Executive Secretariat transmits an electronic Emergency Reconstruction Document File to affected missions, including all pertinent templates, off-the-shelf SOAGs, position descriptions, waivers, Modified Acquisition and Assistance instruments, and sample press releases.



2.2.1.4. The Reconstruction Trigger would initiate the following transactional authorities:

- Emergency Reconstruction Staffing Guidelines are activated. (See Recommendations 2.3.1)
- Emergency Reconstruction Fund is activated. (See Recommendation 2.4.4))
- Emergency Reconstruction Indefinite Quantity Contract (IQC) is activated. (See Recommendation 2.4.3)
- Emergency Reconstruction PASAs are activated. (See Recommendation 2.5.6)
- Emergency Reconstruction Communications Strategy is activated to reduce public information demands on Mission staff and that provides Missions with approved templates for press releases and internet announcements. Special procedures for vetting communications to the field and accelerating appropriate country clearances go into effect.
- Post-Reconstruction Country Strategic Plans are subject to new Automated Directives System (ADS) 200 preparedness and mitigation technical analysis.
- This Management Assessment report is distributed to the geographic bureau and mission(s).

2.2.2. "Reconstruction Assistance Teams"

2.2.2.1. During the recovery period, if a reconstruction program is envisioned, USAID should mobilize a Reconstruction Assistance Team (RECAT). The primary purpose of this team is to provide assistance to the mission(s) in assessment and design of the Reconstruction Program. The second purpose of the RECAT is to ensure that all reconstruction legislation, strategies, and programs, including the potential deployment of other USG agencies, are based on demonstrable need. The RECAT should be under the authority of the Mission Director in coordination with the U.S. Ambassador, and should include representatives of USAID, the host government, and experts from selected USG agencies. USAID staff should anchor the RECAT, should constitute the majority of its members, and be pre-selected to serve on a stand-by basis. The RECAT should be able to augment their team when special skills are identified to be needed in further assessments or design. USAID should maintain an active roster of individuals with specific skills that may be called upon to assist with



Reconstruction Assistance Team members should have *prior reconstruction experience* and embody technical, contracting, legal, ICASS, and internet skills.

this team. This roster can be made of up USAID and other USG agency staff.

2.2.2.2. RECAT members should be seasoned staff with *prior reconstruction experience*. In addition, the team should embody the following skills:

- Program development and project design
- Civil engineering
- Contracting (with specific knowledge of waivers, reconstruction commodities and implementers, host government contracting, and special mechanisms, such as fixed amount reimbursement contracting)
- Legal expertise, particularly in Acquisition and Assistance (A&A) mechanisms and Strategic Objective Agreements (SOAGs)
- Executive Officer (EXO) and administrative expertise, including ICASS and administrative issues
- Technical expertise in flooding, landslides, risk assessment or other areas particular to the type of disaster (e.g., a U.S. Geological Survey [USGS] PASA⁴)
- Communications and Internet expertise
- Experience in training diverse staff, particularly new hires, in USAID policies and procedures

2.2.2.3. The RECAT should serve for a period of two to four months, with rotating membership based on the sequencing of tasks from assessment through design. In addition to assisting the mission in assessment and reconstruction design, the RECAT should help train and guide mission staff during the "handoff" from recovery into reconstruction.

2.2.3. Reconstruction Program Design

2.2.3.1. USAID should develop unfunded, stand-by Participating Agency Service Agreements (PASAs) to deploy technical experts from USG agencies at the outset of the reconstruction period.

These PASAs should support and supplement design, as well as implementation, in sectors where USAID does not have technical capacity.

⁴ Several USAID respondents who recommended that the RECAT include technical experts from other USG agencies stressed that these individuals must have decision-making authority on behalf of their agencies.



2.2.3.2. USAID should tailor different design methodologies and timeframes to different sectors. For example, USAID should invest adequate front-end design time in infrastructure, and use a rolling design approach in sectors where externalities may require program adjustment, understanding that implementers must be kept informed of program changes.

2.3.3.3. If there is an opportunity to have longer timeframes, missions must still initiate in-country activities to meet certain emergency reconstruction needs. Missions must be held accountable for rapid starts, and if this requires more human resources, the Bureau must support them. However, after the first year of reconstruction programming, Missions should be permitted to make modifications to their SO or SpO based on improved implementation plans once activities are underway.

2.2.3.4. If USAID cannot deploy a Reconstruction Assistance Team, the agency should include a contracting officer experienced in reconstruction activities on any design team, in order to identify instruments, ensure proper A&A practices, and accelerate awards.

2.2.3.5. Missions should communicate "early and often" with implementers; should post program concept papers and preliminary designs on mission websites to alert implementers to probable program directions; and include implementers on SpO teams to the extent not precluded by organizational conflict of interest.

2.2.3.6. All Mission Reconstruction Results Frameworks should be required to include an exit strategy. This should identify whether and how reconstruction activities will be mainstreamed in ongoing bilateral programs and should outline the hand-off process with other donors and host government counterparts. Exit strategies should describe program sequencing and phasing down, management of remaining program audits, and plans for leveraging resources of the Mission, implementers, host government and other donors. The exit strategy should also address disposition of property and staff downsizing (e.g., intention to help provide placement services or referrals).

2.2.4. Collaboration with the Bureau for Democracy, Conflict and Humanitarian Assistance (DCHA)



2.2.4.1. Regional and DCHA bureau communication and coordination must occur early and consistently to streamline the hand-off from disaster response to recovery to reconstruction.

Region-specific reconstruction activities should be designed and implemented in collaboration with appropriate experts and leadership in the Office of Foreign Disaster Assistance (OFDA), particularly with a view toward integrating preparedness and mitigation across sectors.

2.2.4.2. In addition to its more standard deployment following man-made disasters, the Office of Transition Initiatives (OTI) should be considered a source of technical, financial, and staffing support to reconstruction missions. Due to the risk of political instability and civic violence following natural disasters, which may be heightened by tensions over resource allocations and popular participation in decision-making during reconstruction, USAID should take a broader view of OTI's mandate with regard to post-disaster reconstruction.

2.2.4.3. As a repository of relevant skills, particularly in rapid assessment, housing, community development, media, and public information, OTI should designate a cadre of experts for stand-by mobilization as part of the RECAT in cases where political stability may be in jeopardy. All OTI staff deployed to a reconstruction mission should work under the authority of the Mission Director.

2.3 Reconstruction Program Staffing

Observations and Interviewees' Suggestions:

The team observed tremendous dedication on the part of all reconstruction staff interviewed in Washington and in the field for this assessment. Facing immense devastation and need, the constraints imposed by the 30 month deadline and personnel shortages, and the focus on transparency and accountability, reconstruction staff devoted enormous and sustained effort under constant scrutiny.

Surge capacity associated with the short timeframe was a major constraint, particularly in Honduras and Nicaragua, the two hardest hit countries and those with the largest reconstruction portfolios. In the words of one respondent, "the real bottlenecks were in personnel." Although USAID mission budgets more than doubled or tripled in some cases as described in the Country-by-Country Summations,

The most serious bottlenecks occurred in personnel, due to staff turnover and vacancies, competition for technical and contracting skills, and lengthy personnel procedures ill-suited to an emergency reconstruction program.

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certain vacancies lasted for months in both USDH and PSC positions. Other mission respondents stated that, beyond hiring a small cadre of reconstruction staff, including Reconstruction Coordinators, they were largely able to use existing staff for reconstruction programs.

The assessment focused on two aspects of surge capacity: the need to fill personnel vacancies as soon as possible and the need for appropriate staff expertise and warrant authority. Echoing concerns raised in the Agency's "lessons learned" process and audits, one respondent noted, "USAID must be more responsive in terms of staffing up. This was a great source of frustration at OMB." This interviewee added that, because USAID is so decentralized, "the Administrator or Assistant Administrators must ensure that adequate staff is deployed to those missions programming the Supplemental. You can't leave key positions vacant for a year."

Many interviewees in USAID/W and the missions complained of "business as usual" personnel procedures ill suited to the exigencies of an emergency reconstruction program. Questions about personnel practices elicited greater frustration from USAID interviewees than any other topic. Several used the expression: "Washington didn't get it." Interviewees from USAID, participating agencies, other USG interviewees, and implementers questioned why vacancies took so long to fill, and why these were permitted to occur in the first place. Some USAID respondents complained that missions lost rotating Foreign Service Officers when they were most needed. They suggested freezing foreign service rotation in reconstruction countries.

In addition to the 632(a) and 632(b) Participating Agencies, missions used PASAs of varying duration with several USG agencies during Mitch reconstruction. These included the USACE, USDA, and USGS. Most respondents stated that these PASAs worked well and suggested that USAID should develop unfunded, "off-the-shelf" PASAs for deployment in future reconstruction efforts. A USAID/W respondent suggested that, if off-the-shelf 632(a) or (b) Inter-Agency Agreements were used again, USAID should prequalify staff.

With regard to TDY support within USAID, most who responded to this issue in the missions agreed that reconstruction TDYs from USAID/W or other missions should last for several months, rather than weeks. In some cases, those who came for two-week periods were characterized as increasing the management burden on missions. Mission respondents emphasized that TDYs from USAID/W must

The assessment focused on two aspects of surge capacity: the need to fill personnel vacancies as soon as possible and the need for appropriate staff expertise and warrant authority.



TDYs with different program design and technical skills, as well as sufficient contract warrants, should be deployed on a stand-by basis. FSNs with prior disaster and reconstruction experience should be included in this TDY cadre.

Foreign Service Nationals have been vital to the Mitch reconstruction process: FSNs served as Reconstruction Coordinator in two missions and ran reconstruction activities in other missions, as well.

conform to mission reconstruction priorities, rather than seek to advance their own agenda. Numerous respondents in one mission pointed to the value added by OTI in the assessment process. One reflected, "We could have used them better than we did," while emphasizing that OTI must agree to work with and for the mission.

USAID respondents differed on TDY skill requirements, ranging from "Bring in generalists who know program design and management," to Global Bureau TDYs. Some mission staff suggested targeting technical officers in Global for deployment on a stand-by basis to provide both technical support and to advise on IQC mechanisms appropriate to reconstruction SpOs.

Lengthy PSC hiring practices added to the personnel bottlenecks. Interviews with some USAID staff suggest that waiver authorities were not perceived to be available. For example, some respondents described their frustration over not being able to hire recently retired USDH staff "who would have come immediately," as well as skilled local staff who they believed were available for immediate hire. They complained, the "bureaucratic process was too slow" and suggested using waiver authorities to hire staff quickly on a non-competitive basis.

The complement of staff at post affected reconstruction program design and the choice of A&A instruments. Fewer staff on board led some missions to use larger instruments, such as umbrella mechanisms and grants under contracts. In other missions, particularly in the absence of a CO, the choice of instrument related to staff familiarity and comfort with different mechanisms. Section 4.7 addresses Acquisition and Assistance instrumentalities in greater detail.

Foreign Service Nationals have been vital to the Mitch reconstruction process: FSNs served as Reconstruction Coordinator in two missions and FSNs also ran reconstruction activities in different missions. USDH staff credited their FSN colleagues as having vital institutional memory, technical and administrative capacity, host government and other contacts, and in-country knowledge that greatly abetted reconstruction design and implementation. Some USAID staff suggested including FSNs who served in Mitch reconstruction among TDYs for future reconstruction efforts.

Surge capacity challenges were not unique to the missions. USAID, participating agencies, and some implementers described a limited



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universe of appropriate staff, and resulting competition among reconstruction employers in some countries. One implementer described this competition in both supply and demand. S/he noted the impact on salary levels, where "expectations are unreal." With regard to competition for PSCs, "poaching" occurred in at least one case, exacerbating tension between a mission and another USG agency.

Some participating agencies could only deploy staff on a TDY basis, and many of these staff had other responsibilities in their agencies. Thus, they were only able to implement this "emergency" program on a part-time basis. A USAID Reconstruction Coordinator described this staffing pattern as "very discouraging" to USAID and the host governments. On several occasions, participating agencies missed important coordinating meetings in the field, leading to subsequent confusion or even tension. Most respondents from both USAID and the participating agencies agreed that TDYs are not the optimal means of implementing on-the-ground technical programs. In the words of one PASA, "This can't be done without body contact."

In acknowledging the problems associated with TDYs, including language proficiency, several Participating Agencies appreciated USAID's help with Spanish translation, but one USG agency whose reconstruction staff did not speak Spanish criticized USAID for not providing this assistance.

Some USG agencies felt compelled to use TDYs as a means of reserving funds for program activities. They sought to avoid the expense of locating staff in the field, and explained that TDYs were their best alternative given limited program budgets. One participating agency respondent suggested that, in order to economize and provide needed TDY backstopping and liaison with USAID, the host government and implementers, participating agencies should engage recent Peace Corps Volunteers as local hires. Recommendations associated with USG agency staff presence in country are provided in Section 2.5.

Implementing partners also faced the challenge of staffing up quickly with experienced personnel. Some implementers described the need to double their staff, depending on the size of their reconstruction portfolio. Others focused on specific personnel issues, such as one NGO who described the need to hire an additional person to manage audits.

TDYs are not the optimal means of implementing on-the-ground technical programs. USG agencies should deploy staff in-country, even if this expense shortens their life of project. Reconstruction work " can't be done without body contact."



Some USAID mission and implementer respondents commented on the morale impact of upcoming layoffs. They pointed out that these layoffs were imminent at the same time that staff needed to be very productive to complete programs. Respondents suggested different means of addressing this difficult challenge, from planning for downsizing in exit strategies, to holding staff meetings on this issue, to providing referrals and other employment assistance.

Recommendations:

2.3.1. Reconstruction status should activate clear guidelines on Foreign Service Officer (FSO) rotation, temporary duty travel (TDYs), PASAs, PSCs and pertinent staffing procedures:

- USAID may temporarily increase USDH ceilings in consultation with the Ambassador.
- FSO rotation from post is suspended for up to two months, except for extenuating circumstances, e.g., due to education for dependents moving to new schools.
- The USAID Administrator transmits off-the-shelf memoranda requesting reconstruction TDYs from headquarters and other missions. These TDYs should be for no less than two months, and should include at least one contracting officer.

2.3.2. To facilitate hiring, USAID should develop standard off-the-shelf position descriptions (PDs) for technical skills associated with reconstruction, including engineering. The Office of Human Resources in the USAID Management Bureau (M/HR) should serve as the repository of these PDs, and should canvass all Hurricane Mitch missions to develop the off-the-shelf documents. These PDs should be part of the "Reconstruction Documents" file.

2.3.3. M/HR should develop a database of current and past PSC skills, which should be expanded to include Government Service (GS) and Foreign Service (FS) skills. M/HR should provide affected missions with lists of PSC candidates when Reconstruction Staffing goes into effect.

2.3.4. USAID should work with Peace Corps in reconstruction countries or the region to identify past Volunteers remaining in the region and current Volunteers due to complete their service, who may be immediately available for hire as PSCs with predominant capability.



2.3.5. Mission Reconstruction Results Programs should note that staff downsizing will follow reconstruction. This should be made perfectly clear when hiring that the position is for a limited time only. Mission senior staff should communicate an intention to assist staff who will be laid off. Staff meetings and written communication should reinforce the importance and contributions of these staff and the assistance to be provided.

2.4 Acquisition and Assistance

Observations and Interviewees' Suggestions:

Mitch Reconstruction missions used a wide array of acquisition and assistance instruments to good effect. However, their ability to program funds quickly differed in part because of their use of waivers. The array of program and contracting staff responses regarding which waivers had been granted, and whether they could be utilized without political repercussions, suggests an area where improved communication from USAID/W to the field, and from missions to implementers, is vital. Many mission responses on this topic expressed the frustration of knowing that waivers would, indeed be granted, but of months lost while applying for them. In addition to slowing program implementation, in some cases the waiver issue also affected attitudes about the support being provided by USAID/W, as well as partner relations.

Before the Supplemental was signed, the missions reprogrammed millions of dollars to respond to evolving needs and modified existing awards with existing implementers. Most of these partners spoke positively of the transition to reconstruction, including those who shifted from emergency response to reconstruction, and those whose awards for ongoing development activities were modified. After describing various extension and modification examples, in which the majority praised mission staff, some also reflected on the "good will" of partners that made it possible for USAID to initiate reconstruction activities before the Supplemental was signed.

Missions' choice of instruments to program the Supplemental related more to field-based decisions, collegial communication, and experience with particular mechanisms, than to specific A&A guidance. For example, a Mission Director who had prior experience with fixed amount reimbursement contracting encouraged the use of this approach

Missions used diverse A&A instruments and mechanisms to good effect, but disagreement on the use of waivers suggests a need for improved communication from USAID/W to the field and from missions to implementers.



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as particularly well-suited to reconstruction, given concerns about transparency and accountability. Staff described numerous instances where, rather than surfing the Intranet for Agency guidance or evaluations, they used their own collegial networks to identify fast, appropriate mechanisms.

The assessment team encountered conflicting responses across missions, and between missions and USAID/W, with regard to waiver authorities. Two themes predominated in responses on the waiver issue:

- A widely articulated recommendation for blanket waivers in order to expedite A&A processes, contrasted by other USAID respondents' statements that these waivers were in effect; and
- Concern that if less than full and open competition were used, Congress or unsuccessful bidders would put a hold on programs or initiate protests. One seasoned mission respondent described asking Washington unsuccessfully for "cover" against this pressure.

Most of the USAID mission respondents who addressed A&A issues, including both program and contracting staff, believed that blanket waiver authority should have been in effect. Respondents commented that, "No one anticipated up front how long waivers take," and "We should have argued harder for notwithstanding authority." However, the team interviewed other USAID staff who stated that notwithstanding authority was in effect for the Emergency Supplemental, because CACEDRF funds were emergency disaster funds. One mission reported applying for blanket waivers from Washington before the Supplemental was even signed.

The waiver issue took a toll on partner relations, as well as field attitudes about Washington. Implementers with reconstruction programs in multiple countries described inconsistencies among and within Mitch missions on waivers, echoing longstanding implementer complaints of variability in USAID procedures and practices. One recommended: "Everyone should work under the same set of regulations. Waivers should apply to all projects."

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Because of the serious time and staff constraints on the reconstruction program, the fragility of morale and trust between missions and USAID/W, and the importance of good partnerships, the level of confusion on waivers is significant. The issue of waivers on competition and source origin is also highly political, as was the attempt in at least one instance to "bundle" procurements in an effort to make them more attractive to U.S. firms. As a USAID official in Washington stated, "Bundling was politically very important. It was consistent with the U.S. Government 'Call to Action.'"

One mission respondent complained of the "mixed message from Washington: 'Move very fast, but try to attract as many PVOs [private voluntary organizations] and contractors as possible.'" S/he added that the only way to do this was through open competition. S/he concluded, "If we hadn't used open competition, we would have been stopped by Congressional and other complaints." Several respondents mentioned the frequent audits by GAO and the RIG in this regard.

Other A&A issues included staffing, audits, cost-sharing, choice of instrument, host government contracting, and relations with implementers. Audits are discussed in Section 4.10.

In both USAID and some Participating Agencies and implementers, technical personnel had to grapple with complex A&A procedures in the absence of adequate contracting and administrative staff. One USAID respondent suggested that M/OP should deploy a "roving band Contracting Officers" familiar with the regulations and with the contractors and commodities, such as water pipe, needed for reconstruction. S/he suggested that this team should bring pre-prepared documents and exemptions. Others suggested using participating agency technical and/or contracting staff to write Statements of Work for areas in which USAID does not have predominant technical capability, such as construction programs.

Several respondents expressed confusion about USAID policy and requirements with regard to cost-sharing. One implementer whose earlier cooperative agreements were extended for disaster and then for reconstruction work suggested that any new A&A guidance for reconstruction programs should give clear instructions on reprogramming and cost-sharing.

Some mission staff referenced internal discussions of the "25% requirement" for cost-sharing by NGOs, which is contrary to agency

The short timeframe, intense scrutiny, and political pressures were difficult to reconcile, leading to mixed messages, and to different program and A&A approaches.

Different views on cost-sharing slowed down some mission staff. Some were unaware of the policy on cost-sharing, while others debated the appropriateness of cost-sharing in an emergency reconstruction program.



Global IQCs saved time and provided needed technical and A&A support to reconstruction missions, although staff cautioned that these contracts are rarely suited to infrastructure and construction activities.

policy.⁵ Some USAID respondents also described confusion and debates over host government cost-sharing. Staff in one mission described differences of opinion between technical and contracting staff on whether cost-sharing should be required of host government counterparts.

Missions used host government contracting to varying degrees, depending on certification constraints, as well as different program approaches. USAID respondents in one mission praised fixed amount reimbursement contracting⁶ as a useful mechanism for working with host government ministries. Another mission respondent stated that the waiver for host country contracting was the most difficult, requiring 17 steps. Section 9 below provides additional observations on work with host governments.

Several of the reconstruction missions employed umbrella mechanisms to manage multiple awards and to build the capacity of local NGOs working in targeted sectors. Technical and contracting staff alike praised the umbrella mechanism for reconstruction use.⁷ They advocated this approach rather than attempting to manage dozens of separate awards while incurring the additional audit burden.

While relatively new as a USAID mechanism, the Annual Program Statement proved attractive for grants and cooperative agreements under the Supplemental.⁸ Some who used the APS called it "more

⁵ See ADS 303.5.10, which states: "the SO/RP team may use 25 percent as a suggested reference point, keeping in mind the need for flexibility and the diverse circumstances and conditions that may define a relationship between USAID and a recipient of funds. Financial participation rates of less, or more, may be justified as reasonable and appropriate in terms of the recipient's financial resources and fund-raising capacity, USAID's objectives and/or where justified by USAID program objectives."

⁶ The Glossary of ADS terms defines fixed amount reimbursement as follows: "Fixed amount reimbursement is a form of assistance under which the amount of reimbursement is fixed in advance based upon cost estimates reviewed and approved by USAID. Reimbursement is made upon the physical completion of an activity, a sub-activity, or a quantifiable element within an activity. The emphasis is upon reimbursement based on outputs rather than inputs or costs. (Chapters 317, 630)

⁷ Through an "umbrella" mechanism, USAID makes a single award to a prime contractor or recipient, which in turn assumes responsibility for the performance and financial management of sub-contractors or sub-recipients.

⁸ ADS 303.5.4a states, "An Annual Program Statement (APS) shall be used to generate competition for new awards where USAID intends to support a variety of creative approaches by the non-governmental community to develop their own methodologies in assessing and/or implementing activities which are in keeping with strategic objectives. When issuance of an RFA is not appropriate or practical, an APS shall be used instead of relying on unsolicited proposals.



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general and flexible" than an RFA, because they could issue it before the exact program budget was known.

Several reconstruction missions reported using Global IQCs successfully in such sectors as health, education, and economic growth. They agreed that this approach "helped cut months off the procurement process." A respondent in one mission without a Contracting Officer at post also commented that the IQC helped gain access to A&A, as well as technical, support, as noted above. One respondent cautioned, however, that these contracts were not originally designed for construction activities, and were less than a perfect fit for such purposes.

Those USAID mission staff who used the grants under contracts mechanism found it to be useful in a reconstruction setting, but complained that it, too, required a waiver.⁹ Advocating "a more agile mechanism" to do multiple awards, one respondent suggested making grants under contracts faster. S/he pointed out that grants under contracts helped reduce the mission's management burden in multiple ways: competing small awards, managing multiple awards, and audits.

Recommendations:

2.4.1. Reconstruction programs must be implemented through an emergency set of mechanisms. When it occurs in a developing country, an emergency reconstruction process is inherently developmental, but must be implemented through an emergency set of mechanisms, including explicit reference to "Notwithstanding authority" in any appropriations language.

2.4.2. USAID/W should provide express and unambiguous guidance to the field regarding the exercise of blanket waiver authority. USAID/W should direct this guidance in writing to both

Reconstruction programs must be implemented through an emergency set of mechanisms.

When used, an APS shall be published at least once a year, either with an open-ended response, or a closing date at least six months after issuance."

⁹ ADS 302.5.6 states, "When the Head of the Contracting Activity (HCA) provides written approval, the Contracting Officer may enter into a contract that provides for a USAID-direct contractor to execute grants with non-governmental organizations (not-for-profits or for-profits)." ADS 302.5.6 further stipulates that grants to U.S. organizations shall not exceed \$25,000, and that "USAID must be significantly involved in establishing selection criteria and must approve the actual selection of grant recipients." With regard to waivers, none are required, but ADS E302.5.6 states that "The Grants Under Contracts procedure may be used only after (1) clearance from the cognizant GC or Legal Advisor and the Contracting Officer, and then (2) the HCA has approved its use in writing for a specific contract."



USAID should develop a stand-by Reconstruction IQC for future reconstruction programs similar in magnitude to Hurricanes Mitch and Georges.

technical and program staff, particularly to affected reconstruction missions' contracting officers, project development officers, and controllers, and to USG participating agencies. In addition, USAID/W should negotiate with Congress to use blanket waiver authority in order to expedite reconstruction. Congress must understand that waiving full and open competition is necessary to accelerate programs, even if it precludes the award of USG funds to U.S. bidders who normally seek redress from the Congress. To date, concurrent and annual audits appear to provide adequate oversight of procurement integrity. In addition, USAID should consider waiving cost-sharing by nongovernmental organizations and host governments.

2.4.3. USAID should develop a stand-by Reconstruction IQC for future reconstruction programs similar in magnitude to Hurricanes Mitch and Georges. The IQC would be an "off-the-shelf mechanism" based in USAID/W (in a bureau to be determined after the reorganization process is complete); missions would buy in with reconstruction funds.

2.4.4. USAID should request and Congress should appropriate a standing International Disaster Assistance (IDA) reconstruction fund of approximately \$100,000. Designation of reconstruction country status would trigger this fund and "notwithstanding authority." The fund would cover deployment of the RECAT and would serve as a bridge mechanism in anticipation of the Reconstruction IQC task-orders.

2.4.5. USAID/W should designate staff in the Office of Procurement in the USAID Management Bureau (M/OP) to backstop Contracting Officers (COs) at post and on the RECAT(s). M/OP should advise reconstruction COs on accepted procedures and best practices for A&A mechanisms with proven utility in reconstruction programs, such as the Annual Program Statement, umbrellas, grants under contracts, IQCs, fixed amount reimbursement contracts, and host country contracting.

2.4.6. Reconstruction missions and USAID/W should ensure that implementers understand the instruments being used, as well as the technical results to be achieved. Missions should include A&A issues prominently in Partner Meetings, and provide written guidance or referrals to the USAID website, ADS, etc., to assist implementers in understanding and following USAID procedures.



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Missions and operating units with centrally funded awards should reassure implementers who may be called on to absorb new emergency programs beyond the scope of their current and ongoing awards. These new demands require enhanced trust and good-faith negotiations regarding match requirements, future audits, etc.

2.4.7. Missions should clarify requirements for disposition of property and close-out procedures in all reconstruction awards, and identify any needed amendments as early as possible in the reconstruction period.

2.5 USAID Coordination of the USG Participating Agencies and their “Value Added” to the Reconstruction Program

Observations and Interviewees’ Suggestions:

Coordination

President Clinton's "Call to Action" mobilized an unprecedented USG response by 13 USG agencies, in addition to USAID. The task of coordinating these agencies, while simultaneously absorbing and implementing the lion's share of Supplemental funds, was an immense challenge to the missions and LAC Bureau. It is noteworthy that, although USAID and USG interviewees alike described the missions as “overwhelmed” during the start-up of reconstruction, the majority of USG respondents characterized USAID's coordination in positive terms and praised USAID for preventing duplication of programs within the USG cohort. Interviews with hundreds of USAID and participating agency staff verified the GAO conclusion that there was little duplication among participating agency programs. Respondents cited the careful vetting of the USG agency proposals and workplans by USAID/W and the missions, combined with clear intervention by Mission Directors, as key to preventing program duplication. Respondents who raised issues on technical coordination were most often staff of agencies whose programs closely parallel those of USAID.

While some USG participating agencies had extensive overseas experience, others had virtually none. A small minority had resident programs in reconstruction countries before Hurricane Mitch, some of the agencies fielded staff and established in-country presence for reconstruction, and others implemented their programs through Temporary Duty Travel (TDY).

Careful vetting of the USG agency proposals and workplans by USAID/W and the missions, and clear intervention by Mission Directors helped prevent duplication.



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Interviewees praised mission coordination meetings held at start-up and throughout the reconstruction period.

In addition to differing experience, technical skills, and in-country presence, the participating agencies had varying political agendas with regard to the "Call to Action," uneven familiarity with systems such as International Cooperative Administrative Support Services (ICASS), and even different levels of Spanish proficiency. One FSN used a linguistic metaphor to summarize differences among the USG agencies: "We don't speak the same language." Another respondent provided a specific example: "USAID uses terminology different from what other USG agencies use. They use 'obligate' to mean 'commit.' "

Some USAID respondents stated that the USG agencies "slowed us down," and complained that the difficulty of absorbing and collaborating with new agencies exacerbated the time constraint. One mission staffer pointed to the mutual effort needed for successful program integration: "Some of the participating agencies have done a fine job of integrating themselves into the portfolio, but not all. And it's a two-way street. Some in the mission have done a better job than others in integrating the participating agencies." Some interviewees reflected on a "mutual learning curve" among USAID and the participating agencies. Others, when asked about opportunities for improving future coordination efforts, commented on the difficulty of reconciling the practical with the political in the reconstruction program.

Participating agencies had different expectations of USAID's coordination role. These expectations were colored by overseas experience, confusion about ICASS, whether an agency had in-country presence or worked through TDYs, and by their experience in establishing contacts with government counterparts, the international donor community, and potential implementing partners

In contrast to the majority of USG respondents' positive descriptions of technical coordination, some agencies raised criticisms. For example, one USG interviewee stated, "The biggest problem was getting a handle on what everyone was doing, including other donors.... One overall weakness was we thought USAID would ferret out what everyone was doing." A small number of respondents urged more strategic coordination and a more focused effort to gain program synergies within the USG cohort. These interviewees remarked on the absence of a larger vision for the USG reconstruction effort and suggested the need to "strategize together."



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Most USAID staff and participating agencies cited the mission coordination meetings held at start-up, and those that have been ongoing with different frequency in the five missions, as very helpful. However, they suggested greater involvement of host government ministries in such meetings. USG agencies also cited a need to improve reporting procedures, and some said that after being told to use their standard agency formats, USAID informed them that the reports were unsatisfactory. Many participating agencies suggested that a standard report template should be available from the outset of an inter-agency agreement.

Some USAID and embassy staff pointed to internal coordination issues within USG agencies, particularly when multiple divisions were involved. One embassy respondent noted that the agencies "didn't always want to support their own people due to different internal budgets."

Most of the USAID missions appointed or hired a Reconstruction Coordinator. Functions ranged from coordination of the USG Participating Agencies, to oversight of implementer projects, to serving as mission liaison for all Mitch audits and Congressional Delegations (CODELs). Respondents who commented on this function suggested that the following attributes are important to ensure good coordination:

- Presence at post during the design phase
- Full-time staff
- Clear roles and responsibilities in relationship to Cognizant Technical Officers (CTOs)
- Clear reporting requirements and lines of authority within the mission

In emphasizing the importance of full-time status, a USG interviewee explained, "You'd get more synergies" in the reconstruction portfolio. Raising the issue of inherently governmental functions, another USG respondent pointed out that s/he could not take direction from a PSC and that only USDH staff should serve in this capacity.

Many participating agency staff mentioned the importance of USAID's coordinating role between their agencies and host governments. Some characterized this as an important comparative advantage that USAID should utilize more strategically in any future multi-agency reconstruction program. For example, one USG agency explained, "The mission took our workplan and discussed it with the right people.

A Reconstruction Coordinator should have the singular task of overseeing reconstruction program activities, with clear roles and responsibilities in relation to CTOs, auditors, and the Mission Director.

USG agency staff acknowledged the importance of USAID's coordinating role between their agencies and host governments.



The involvement of the USG cohort in the reconstruction program was a net positive. To maximize their value and ensure more needs-based programming, many USAID staff suggested specific criteria for future USG participation.

Some USAID staff credited the USG cohort with helping missions "think outside the box" to identify a wider range of program interventions.

They paved the way at the national level." A PASA stated that USAID, his USG agency and implementers coordinate successfully because they complement one another and because they agreed on the need to involve local mayors. Another participating agency stated that USG inter-agency coordination in the reconstruction program provides an important model for host government ministries. But another agency representative said that, because the mission treated that agency more like a contractor than a partner, it was difficult "to show a united front to the host government."

Value Added

The involvement of the USG cohort in the Hurricane Mitch Emergency Reconstruction Program was a net positive. After the difficult start-up period, when the USG agencies' lack of in-country knowledge, experience, and contacts were often considered by many USAID respondents to be a burden, mission staff noted the value of USG programs as diverse as watershed management, quality assurance of construction programs, community development, and stream flow monitoring.

While most USG agencies expressed unqualified willingness to participate again in a similar USG-wide reconstruction program, USAID respondents tended to stipulate conditions for broader participation. Specifically, to help ensure that participating agency programs complement mission frameworks and meet local needs and priorities, respondents suggested a range of approaches, from including them on the Reconstruction Assistance Team, to requiring that participating agencies meet criteria for overseas work (which they believe should emphasize overseas experience and local presence), to prequalifying staff, to using different inter-agency instrumentalities, such as PASAs. In the view of some USG and mission respondents, PASAs "would have been integrated in results packages and more grounded."

The issue of needs-based programming predominated in most responses about value-added. Several respondents questioned whether the USG programs were tailored to local needs, criticized the focus on technology and "tools that rust," rather than human capital development, and in a small number of interviews, suggested that the entire Supplemental should have been given to Mission Directors to program. Others stated, however, that the USG agencies helped USAID "think outside the box."



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Some, including a Mission Director, said that USG participation was helpful in expanding USAID's understanding of the interventions and technologies needed for reconstruction. One USG respondent's comments are illustrative here: "Many activities are necessary that USAID never would have thought of: stream gages, land surveys, GIS [Geographic Information System] for land management and disaster mitigation through quality data. One of the problems after Mitch was that there was virtually no historical data on recurrence intervals of floods. Even if data were available, ministries didn't share it. This was the need for the database, which [a local university] is now implementing."

Many USAID staff criticized the agencies' lack of development experience, and were concerned that many USG programs were not meeting needs or responding to local conditions. The team heard several variations of the following response: "We tried to coordinate with [the USG agency] to ensure that the [program] they developed targeted the municipalities where aid would be most effective. In some cases, they complied, in others not."

Responses differed on the extent to which implementing partners understood or benefited from the technical contributions of the USG participating agencies. For example, the country director of one USAID implementer who did not receive funding from other USG agencies stated that their role in the reconstruction program "has never been clear to me." A senior staff member of another long-time USAID partner stated that they appreciated the technical assistance and training they received from a USG agency. One USAID staffer suggested that, as part of its coordination function, USAID should ensure that the participating agency collaborate more with USAID implementers to share new technical information and help build capacity.

While most USAID comments on USG value added focused on technical capacity, some respondents addressed political and U.S. foreign policy considerations, as well. Some USAID respondents pointed out that collaboration with the USG agencies "helps show that the whole USG is involved; it helps build alliances for USAID both now and for the future."

Most of the USG participating agencies expressed a willingness to participate in such an inter-agency effort again. They cited the impact of their programs; the significance, from a foreign policy standpoint,

USAID and USG staff noted the political and foreign policy value of a USG-wide response in the region.



Maximize the value of other USG Agencies through needs-based programs and required in-country presence.

"for the people of the region to see the U.S. Government doing this"; and the view (shared by some USAID respondents) that "Every USG agency has learned and will be a better agency as a result of this experience." One Washington-based respondent explained that in other inter-agency technical meetings, "The Mitch model keeps coming up as the best example to date of the USG working well together."

Recommendations:

2.5.1. USAID should acknowledge and maximize USG value added in post-disaster reconstruction, while helping to ensure that USG participating agencies respond to in-country needs and priorities.

In addition, USAID should collaborate with USG agencies to build long-term technical relationships with host governments.

2.5.2. Self-selection should not determine USG agency involvement in post-disaster reconstruction. Rather, participating agencies should meet at least the following threshold criteria:

- Technical expertise to respond to needs identified by the RECAT or supporting assessments
- In-country experience and pre-qualified staff ("no on-the-job training")
- Appropriate foreign language proficiency
- Administrative and technical systems for international programs
- Commitment to in-country presence

2.5.3. All things being equal, 632(b) inter-agency agreements or PASAs are preferred over 632(a)s to ensure optimal coordination of a reconstruction program.

2.5.4. The 632(b) inter-agency agreement should explicitly describe the participating agency's reporting requirements to USAID.

2.5.5. USG participating agencies should establish regional, or ideally, in-country presence for program design and implementation, and should assign dedicated staff to the reconstruction program, even if this requires truncating the life of project. In general, TDYs and part-time staff are not the optimal means of implementing on-the-ground technical programs. Full-time, local presence is a vital component of collaboration with host government counterparts.



2.5.6. If a reconstruction program entails the participation of multiple agencies, all affected missions should hold start-up meetings to initiate the coordination process in the field, and all participating agencies should be required to attend these initial meetings.

2.5.7. Missions should plan and schedule their coordination meetings well in advance to allow participating agencies to plan their schedules and workplans accordingly.

2.5.8. USAID and participating agencies should include technical and administrative representatives in inter-agency meetings, to ensure that all aspects of reconstruction are understood. There should be "no surprises" regarding the reconstruction portfolio, USAID and other USG roles and responsibilities, ICASS, security requirements, country clearances, etc.

2.5.9. USAID should develop off-the-shelf PASAs to quickly deploy prequalified technical experts from USG agencies. USAID should engage these PASAs in designing the mission reconstruction portfolio, rather than bringing them on board after mission programs are approved.

2.5.10. Participating agencies with multiple in-country staff should designate a single point person to liaise with USAID on strategic and inter-agency issues. This individual should have decision-making authority.

2.5.11. Where USAID missions decide to deploy a Reconstruction Coordinator, the following guidelines for this temporary assignment should be considered: The Reconstruction Coordinator

- Should work full-time in this capacity.
- Should have development expertise, and be at post during the design of the reconstruction program.
- Should report directly to the mission front office.
- Should coordinate country clearances with the embassy.
- Should be responsible for coordinating and facilitating audits, Congressional delegations (CODELs), and other high level visits.
- Should coordinate the compilation and preparation of quarterly reports from implementers, USG participating agencies, and the mission, and submit these reports to USAID/W.



2.6 International Cooperative Administrative Support Services (ICASS)

Observations and Interviewees' Suggestions:

As defined on the ICASS website, "The ICASS system is the principal means by which the U.S. Government provides and shares the cost of common administrative support at its more than 200 diplomatic and consular posts overseas. The ICASS system seeks to provide quality services at the lowest cost, while attempting to ensure that each agency bears the costs of its presence overseas." Examples of services include, but are not limited to: Computer Services, Medical Services, Security Services, Mail and Messenger Services, Financial Management Services (i.e., payroll, accounting), Travel Services, and General Services (i.e., vehicle maintenance, shipment & customs, leasing, reproduction).

While agencies with in-country presence lasting more than 90 days are required to support the costs for certain services (e.g., medical, security), USG agencies can choose from other services, based on their needs. Once the Embassy determines the extent and nature of services to be rendered, it can calculate an estimated amount of charges to the recipient. ICASS budgets can be changed twice per year - at the beginning of the year and at mid-year. Costs that can be specifically attributed to a recipient are billed to them directly and are not generally included in the ICASS calculations.

To USAID and other USG agencies accustomed to international work, ICASS is a known cost of doing business. However, the Hurricane Mitch Reconstruction Program involved persons from many USG agencies who had never worked overseas. In some countries, such as Honduras, this accounted for more than half of the USG agencies in the reconstruction program. As a result, there was often confusion and frustration on the part of the USGs, as well as in the embassies and the USAID missions.

The Inter-Agency Agreements did not include ICASS, and some participating agencies did not learn of ICASS until they were in country. They were confused about the reasoning behind ICASS, about which services it included, and why they were required to "participate." Because they were unaware of ICASS, many participating agencies did not plan for it, nor for other administrative expenses, in their budgets.

Problems associated with ICASS were part of the broader issue of not having included administrative matters more prominently in planning, budgets, and meeting agendas.



Although the State Department manages ICASS, most USG participating agencies assigned the problems they were experiencing to USAID. The team heard comments to effect of “USAID just gave us the funds to implement a program, and now they want to take the money away again.” Some respondents suggested including ICASS prominently in the Inter-Agency Agreements and the PASAs. Others proposed having the estimated costs “taken off of the top” of each agency's budgetary allocation and “trued up” at a later date, when the actual costs are known.

In some countries, USAID and the embassy attempted to explain ICASS during the Fall 1999 Hurricane Mitch Reconstruction “kick-off” meetings. One mission devoted almost an entire day of the week-long meeting to administrative issues, including ICASS. In addition, this mission asked each of the participating agencies to complete a questionnaire about the types of employees the participating agencies expected to have at post during a 12-month period (i.e., U.S. direct hire [USDH], long-term TDY, short-term TDY, contractors, locally engaged staff), the type of administrative support the participating agency was planning to furnish versus the support to be requested of the embassy, the need for office space, and whether staff would require translation services. This questionnaire helped the embassy and USAID anticipate the needs of the participating agencies, while requiring them to plan for their own needs.

In other missions, start-up and other meetings focused on technical rather than administrative issues. One mission Executive Officer (EXO) stated in retrospect that “We should have been in those meetings all along.” Numerous missions and embassies suggested that adequate time be dedicated to administrative issues, such as ICASS, in the initial coordination and planning meetings. In some cases, where there was the greatest confusion and frustration on the part of participating agencies, those same agencies had not attended the initial meetings where administrative issues, including ICASS, were explained and discussed.

One source of confusion and frustration for some USG participating agencies related to the comparison of costs between and among countries. Agencies working in multiple reconstruction countries were charged differently for ICASS services in each country, due to differences in local costs for labor, equipment, etc. Some of the USG agencies could not understand the reasoning behind these differences, which led to tensions with the ICASS providers.

Most problems with ICASS resulted from some USG agencies’ lack of overseas experience, and poor communication between ICASS providers and the participating agencies. Experiences with ICASS differed among the five missions.



Some participating agencies stated that when they asked the ICASS provider for a detailed explanation or supporting documentation for the charges (i.e., inputs to the calculations), the provider did not provide the information. One respondent stated that s/he was “still trying to figure out the monthly expenses” and still didn’t have a good understanding of how the costs were being gathered and allocated. In an effort to keep costs low, however, some embassies stated that they tried to take the approach that “simple is best.” They feared that if the embassy had taken “a fine toothed comb to all expenses, it would increase the costs and the ICASS bills would rise.”

The USG agencies offered numerous suggestions for improving ICASS. For example, some advocated building in more consistency and transparency in the system via budgeting and billing, so that agencies could make more informed decisions on whether it is more cost-effective to request certain services from the ICASS provider or to seek those services elsewhere. Others suggested that USAID should push harder to obtain a Working Capital Fund for such costs. This could be a reconstruction ICASS fund in which any overages would revert to the U.S. Treasury.

In one case, the USAID mission decided to become a dual-provider of ICASS services to the USG agencies. This was a logical decision for the mission based on the circumstances (i.e., recent USAID downsizing resulting in a building with surplus space to rent out to participating agencies). Therefore, some respondents emphasized the importance of focusing early on the administrative support needs in each country and determining whether it makes sense for USAID to become a dual-service provider.

Recommendations:

2.6.1. Reconstruction program authorizations should incorporate operating expense (OE) costs and ICASS in the supplemental appropriations language to support these costs. Appropriators could capitalize a reconstruction ICASS fund with any overage reverting to the U.S. Treasury.

2.6.2. USAID should include ICASS language and budgets in all Inter-Agency Agreements, including Participating Agency Service Agreements (PASAs), and provide specific information on ICASS in all coordination meetings at post.



2.7 Implementing Partner Issues

Observations and Interviewees' Suggestions:

As other Hurricane Mitch studies have noted, most USAID missions used existing partners to implement the reconstruction program. Mission respondents supported this choice as appropriate, given the time constraints and expectation of audits and scrutiny. Existing, on-the-ground implementers were also able to assist the other USG agencies in initiating project activities more quickly, and in providing these agencies with needed knowledge and contacts in-country. The few instances where programs have encountered significant accountability and performance issues have tended to involve new implementers.

Most implementers who were interviewed spoke positively of USAID's coordination of the reconstruction program. However, some implementers, including those from experienced, on-the-ground partner organizations, were frustrated and confused by certain practices, including grants under contracts. They suggested that USAID needs to do a better job of A&A training and communication with implementers in the field.

Time lags between signing awards and receiving funds were excessive in the opinion of some implementers. The team heard examples of organizations hiring staff, renting vehicles and office space, and implementing programs months before receiving their first tranche of funding.

Several implementers from both the contracting and private voluntary communities criticized the use of the "rolling design" approach. In one mission different respondents used the same term in complaining "USAID keeps moving the goalposts." One PVO complained that changing project emphases and goals after awards had been signed was counter to USAID policy on Substantial Involvement.

Recommendations:

2.7.1. Missions should schedule quarterly Partner Meetings to clarify the A&A issues outlined above, and to ensure that all relevant USAID procedures and policies are understood. Partners' administrative staff involved in financial management should

The use of experienced implementers was appropriate given the time constraints and focus on accountability.



participate in the first and final meetings to ensure that all requirements are understood for project start-up and close-out.

2.7.2. In addition, Missions should use partnership meetings to build greater complementarity and synergies among reconstruction activities (including USAID funded activities, participating agency programs, and additional activities undertaken by implementers with their own funds).

2.7.3. Working primarily with existing partners may limit USAID's ability to access other needed capacities. USAID should develop a reconstruction IQC to expand mission access to appropriate reconstruction technical capacities, including those available in the U.S. higher education community (e.g., civil engineering, epidemiology, meteorology, watershed management).

2.8 USG Work with Host Governments

Observations and Interviewees' Suggestions:

During Reconstruction Program design, a majority of the missions and participating agencies made an early decision not to disburse funds directly to host government agencies. This decision was based on USAID's knowledge of existing government counterparts, varying availability of ministries certified for host government contracting, past experiences with the governments, and known government corruption. Other constraints included: politics and political turnover in administrations, limited budgets, lack of interest, and lack of quality human resources and equipment. As a result, although several missions did not provide direct funding to host governments, they often provided them with technical assistance, training, and equipment. In addition, USAID and some participating agencies sought ways to direct resources to staff who were less likely to change with new political administrations.

Despite decisions not to disburse funds directly to host governments, each of the missions and participating agencies sought ways of involving host governments in the Reconstruction Program. Most missions invited host government officials to USAID coordination meetings, and some implementers and USAID missions sent periodic progress reports to government counterparts to keep them informed.

Most missions and USG agencies did not disburse funds directly to host governments. Instead, they provided technical assistance, equipment, and training and sought to engage host governments through consultation, co-location of staff, and the establishment of autonomous divisions in selected ministries.



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In many cases, missions, participating agencies, and their implementers worked to obtain host government "buy-in" on the projects implemented under the Mitch program. In at least one country, the Ministry of Health has been involved in the accreditation of several clinics being built with Mitch funds. One participating agency and some implementers established offices in counterpart ministries, where they provided ongoing technical assistance in such sectors and health and education. Although they said it was sometimes a burdensome process, the majority of respondents stressed the importance of engaging host governments.

In this regard, several respondents advised maintaining relations and open communications with host government ministries at all levels. In one country, for example, ongoing communication with the host government informed USAID and the participating agencies that another donor was providing the same technical assistance for a project as the USG reconstruction program. As a result, the USG agencies were able to redirect staff and funds to another project. In another case, however, a USG respondent described the tendency of host government ministries to play donors, including different USG agencies, against one another, in order to receive more computers and other equipment through the reconstruction program.

In two countries, a participating agency decided to provide funds to host governments in contrast to the USAID missions, which had decided not to disburse funds to them directly. This USG agency asked, "how can you work in a developing country and not work with the local governments?" Acknowledging corruption, this agency felt that it could implement internal controls and an oversight program to help ensure that funds were spent properly. Pointing to current and past success with this approach, this USG respondent said it has resulted in a "more effective" program. S/he suggested working with host governments, even if on a limited, gradual basis.

In Honduras and Guatemala, the USAID missions worked with separate, autonomous units established within the host governments. Because these units are independent of the host government in almost every way, they (and USAID) are able to avoid such constraints as politics, budget pressures, reporting lines of authority and bureaucratic decision-making processes. The missions working with these units stated that this was a good alternative to disbursing funds directly to host government ministries.

Ongoing communication with host governments and within the USG cohort helped identify program redundancies.



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Several respondents from USAID, participating agencies, and implementers pointed out the importance of increasing popular demand for government services as a means of improving these services. Some interviewees suggested that this is more easily accomplished at the municipal level, where mayors and other officials understand that longevity in office depends on popular satisfaction with municipal services.

While the assessment focused primarily on USG agency perspectives, the team also asked host government officials about coordination. Most of these officials described coordination between the host government and USG agencies as “good” or “close,” or even “great, supportive, [and] collaborative.” Several officials said they were grateful for USG assistance. At the same time, however, local officials registered certain criticisms of USG agency practices and policies. Some officials observed coordination problems between different USG agencies and within individual agencies. In several instances, coordination problems hampered execution of relief programs, and one local ministry ensured that messages were hand-delivered to mission staff because the former believed the mission mishandled internal messages.

Many host government officials also expressed the view that there were too many restrictions placed on reconstruction aid. Not listening to host government opinion (e.g., building where local citizens did not want a project) was another criticism. However, several officials mentioned that meeting together with USG staff usually solved many of these problems.

Some respondents mentioned the importance of encouraging government cooperation at the regional level. One USG interviewee characterized the customs duties and barriers between Central American countries as an impediment to closer cooperation, and suggested that USAID had a coordinating role in this regard, using leverage and good will from the Reconstruction Program.

The governments of Guatemala, Honduras, and El Salvador are working with USAID and other participating agencies in implementing the Rio Lempa (G-Cap) watershed management project. According to respondents working on this project, including host government officials, this regional initiative has been successful to date, due to:

- Use of a dedicated coordinator



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- Ability (through legislation or a Memorandum of Understanding [MOU]) to circumvent lengthy decision-making and approvals in certain situations
- Involvement of governments and governing bodies at the regional, national, and local levels
- MOUs signed by all parties
- Involvement of the private sector
- Installation of technology and early alert systems that can be maintained and utilized by the beneficiaries

USAID and USG participating agencies described various strategies for hedging against political turnover in host government ministries. These include:

- Directing technical assistance and training to mid-level and technical personnel, who are less likely to change with elections, and
- Directing technical assistance and training to other national institutions, particularly host country universities, to develop and leverage a cadre of trained staff for future administrations

Please see the Acquisition and Assistance section for more specific observations related to host government contracting. Please see observations and recommendations related to host government emergency management agencies and related activities in the sections on Disaster Preparedness and Mitigation.

Recommendations:

2.8.1. If issues of accountability, including certification for host government contracting, limit the extent to which USAID can mission should nevertheless seek opportunities for collaboration.

These should include, but not be limited to:

- Involvement in design of the reconstruction program
- Participation at mission planning meetings with USG participating agencies and implementers
- Representation on the Reconstruction Assistance Team
- Establishment of an independent, autonomous unit in selected ministries (e.g., as in Honduras with the Fondo Hondureno de Inversion Social [FHIS-Recap] and in Guatemala with the Centro

To hedge against political turnover in host governments and sustain the impact of their technical assistance, USAID and the USG agencies directed training to mid-level technical personnel less likely to change with elections, and targeted technical assistance to other national institutions, such as universities.

Reconstruction missions developed best practices for collaborating with host governments even when host government contracting was inappropriate.



Multiple financial and performance audits helped ensure proper use of funds and achievement of results, but were an added management burden. The audits required additional staff and time, both of which were in short supply.

de Cooperacion Internacional para la Preinversion Agricola [CIPREDA])

- Placement of technical advisors in host ministries, in order to strengthen institutional capacity and provide quality assurance
- Design of reconstruction program activities that increase demand for government services and thereby help encourage improved performance

2.8.2. USAID and USG participating agency program interventions should hedge against political turnover in host government ministries. Approaches may include:

- Directing technical assistance and training to mid-level and technical personnel, who are less likely to change with elections
- Directing technical assistance and training to other national institutions, such as universities, to develop and leverage a cadre of trained staff for future administrations (i.e., build civil service-like capabilities not subject to political turnover)

2.9 Audits, Transparency and Accountability

Observations and Interviewees' Suggestions:

Congress, GAO, and USAID emphasized transparency and accountability of funds disbursed under the Reconstruction Program. In conjunction with GAO, the missions, and other donors, the USAID Inspector General and Regional Inspector General (RIG) developed an oversight strategy “to make sure that the Hurricane Mitch funds (were) well spent...to prevent problems from occurring, where that is possible, and detect problems early on, when they involve relatively small sums of money and when they can be corrected fairly easily.”¹⁰ This strategy entailed performing annual financial audits of smaller, lower risk projects and quarterly, concurrent audits of larger, higher risk projects.

In addition to the financial audits, the RIG and GAO also conducted performance audits. As a result, implementers and their projects received multiple visits from numerous auditors, sometimes at the same time. The list of auditors included GAO, the USAID RIG, Defence Contract Audit Agency (DCAA), host-country Supreme Audit

¹⁰ USAID Inspector General and Regional Inspector General’s testimony before the House Committee on Appropriations, Subcommittee on Foreign Affairs on March 21, 2001.



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Institutions, implementing partners' internal auditors, and independent external auditors.

The number and frequency of Reconstruction Program audits increased the management and coordination burden on USAID, and virtually all respondents raised the issue of transparency, and accountability in their interviews. Several respondents questioned the wisdom of trying to program such a huge amount of funds in a two and one-half year timeframe in a developing country, where there is known corruption. While most interviewees agreed on the need for careful program and financial monitoring, some complained that the audits were excessive. Many respondents suggested approaches to reducing or better coordinating audits in any future reconstruction program.

Several interviewees among implementing partners, USAID mission staff, and other respondents agreed that the ongoing coordination of so many audits, by so many entities, took much more time than anticipated. These audits were more frequent than these respondents were accustomed to in other USAID programs.

At three of the five USAID Missions visited, Mitch Reconstruction Coordinators oversaw audit coordination, a task that required up to half of the Coordinators' time in some cases. These and other respondents suggested that USAID missions and implementers should plan to hire additional staff for audit coordination.

Some respondents stated that they had insufficient time to implement audit recommendations before the start of the next audit. Interviewees also said that, given the press of the reconstruction program and staff shortages, it was sometimes difficult to compile a Fund Accountability Statement quickly after the quarter end, in time for auditors to conduct their audits in accordance with their own deadlines. These implementers proposed less frequent audits.

Some Missions felt that the audits were positive because that the auditors assisted overburdened Mission staff in providing quality control of projects. These comments echoed the RIG's testimony that "We've also learned a lot about concurrent audits and how they can be useful to us in identifying problems early on, while they are still small problems, and before they can grow." The auditors provided valuable recommendations with respect to internal funds control and technical quality. As a result, some mission program officers stated that



The role of the U.S. Army Corps of Engineers in providing quality control and quality assurance of infrastructure projects was an example of USG "value added."

reconstruction program results are better and the funds are well controlled.

In some countries, Missions supplemented their staff and assisted project implementers by hiring external audit or consulting firms to perform ongoing quality control of projects. In some cases, a firm performed the accounting and funds control for different projects and implementers. In other cases, a consulting firm or the Army Corps of Engineers assisted the missions by performing technical evaluations, particularly of infrastructure programs. Several USAID and USG respondents praised this approach as an example of USG "value added" and recommended that it be used in the future.

Although the scopes of the audits often differed, most of the auditors planned field visits to project sites. Implementers suggested that USAID assist the auditors in aligning their schedules for these site visits. They proposed simultaneous audits as a means of reducing the management burden on the Reconstruction Coordinator, as well as the project implementers.

Early in the Reconstruction Program, the RIG held training sessions for missions and implementers on fraud, waste, and abuse. This appeared to be an effective tool; the RIG testified that they "...have not seen major problems with corruption or large-scale diversion of USAID funds." Many respondents, especially those with oversight responsibilities, felt that these training seminars were helpful. However, some respondents said that the "scare tactics" they attributed to the RIG slowed down implementation of some projects, because implementers took extra care in ensuring that all activities were well-controlled and well-documented.

Several respondents pointed out that, although the reconstruction program will conclude on December 31, 2001, many audits will continue for at least 3 months after the calendar year end. They cautioned that, with many staff expected to be laid off, these audits may be difficult to complete in a timely manner, and they stressed the importance of including the audit process in all exit strategies.

In addition to proposing better coordination of audits, many implementing partners and mission respondents described the time-consuming process of tracking and implementing audit recommendations. Some suggested development of a shared database to track progress on audit recommendations, and proposed that the



database should be accessible by the RIG, applicable auditors and Mission staff, and the applicable implementer(s).

Recommendations:

2.9.1. When legislation or program strategies place substantial emphasis on accountability, appropriate systems and personnel should be deployed to facilitate audits. Missions and USAID implementers should anticipate and address additional staffing needs associated with audits. To improve their management of this important function, USAID missions should assign a single individual to backstop the audit process, in order to assist program staff whose portfolios are affected.

2.9.2. Missions should develop a database to track responsiveness to audit findings. This database should be accessible to mission staff and auditors, implementers, and the Regional Inspector General (RIG).

2.9.3. All USAID, participating agency and implementer exit strategies should include consideration of final audits due to occur after the December 31, 2001 completion date for Hurricane Mitch reconstruction.

2.9.4. Missions and the RIG should emulate the following best practices used in the Mitch reconstruction program:

USAID should assist auditors in coordinating their visits to the field, particularly to remote project sites, in order to reduce the time and management burden on Reconstruction Coordinators, other USAID staff, and project implementers.

USAID should develop and utilize Army Corps of Engineers PASAs for technical evaluations, quality control, and quality assurance of infrastructure programs.

The RIG should provide USAID staff and implementers with appropriate training on identifying potential sources of fraud in reconstruction programs. Training content and tone should not impede project implementation.

When legislation or program strategies place substantial emphasis on accountability, appropriate systems and personnel should be deployed to facilitate audits.



2.10 Opportunities for Future Investment

Observations and Interviewees' Suggestions:

Opportunities for future investment in the five assessment countries, including investments in preparedness and mitigation, derive from ongoing development programs, reconstruction activities undertaken to date, and prevailing attitudes and priorities. As the foregoing text and exhibits help illustrate, there is a broad platform of activities in both the sustainable development and disaster preparedness and mitigation portfolios upon which investment elicited diverse responses. The three main areas identified were: economic revitalization the LAC bureau and missions might build. While Part II lays out recommendations for addressing preparedness and mitigation, this section provides a more general set of observations on future program opportunities.

Interview questions about future investment in preparedness and mitigation elicited the most diverse responses of the entire assessment. Respondents believed USAID should build upon the Reconstruction Program by directing future investments to the following areas:

Economic revitalization and poverty alleviation

Municipal governance and local programs to build local support for preparedness and mitigation

Watershed management and other environment, natural resource management, and agriculture programs that can help mitigate the impact of future disasters

It was clear that distinctions between long-term development and humanitarian response pervade USAID in terms of program approach and staff priorities. The team found it noteworthy that several USAID respondents characterized preparedness and mitigation work as OFDA's responsibility. After reading the Interview Areas of Inquiry or entire Statement of Work before their interviews, some USAID staff remarked at the outset that they were unable to address preparedness and mitigation, notwithstanding the vulnerability of their programs to natural disasters. These attitudes, combined with the varying levels of support for a potential Special Objective on preparedness and mitigation expressed in dozens of mission interviews, present the LAC Bureau with a dual challenge: cross-sectoral design and internal marketing, including communication and coordination with BHR.



The Statement of Work states that "Disaster mitigation is defined in many ways in each country." The interview process, as well as a comparison of different agencies' websites and documents, verified this assertion. The team asked interviewees to define preparedness and mitigation, to describe program accomplishments based on their definition, and later in the interview, to identify ways of building upon these accomplishments after the reconstruction program.

Nearly all respondents were willing to attempt a definition; most of these focused appropriately on the preventive nature of mitigation. Definitions ranged from taxonomies of activities, to general statements, to specific examples of preparedness and mitigation protects.

In describing future opportunities, the vast majority of respondents emphasized that poverty is the major constraint in the region, and that financial constraints are also severe within USAID. Anticipating the huge budget cuts after reconstruction, some respondents, from the Mission Director level to program staff, reacted negatively to the prospect of directing additional funds to disaster mitigation. Some interviewees stated that the Central American Mitigation Initiative (CAMI), slated to run through September 30, 2003, was sufficient.¹¹

One respondent noted that funding for preparedness and mitigation "usually isn't additive," while others cautioned that where to invest depends on how much money is available, particularly in the face of earmarks. In describing difficult trade-offs, s/he continued, "We have to ask ourselves, what is the greater return on investment: [mitigation work now], or strengthening the educational sector so that a kid grows up to be a good manager of [the national emergency management agency]?" One interviewee questioned the value of building or retrofitting health clinics to withstand hurricanes if these clinics had to operate without potable water.

Most USAID mission respondents underscored the need to align preparedness and mitigation efforts with local economic development programs. Several USAID implementers shared this view. They

¹¹ The USAID fact sheet on this \$11 million initiative explains, "CAMI's goal is to reduce or negate the impact of natural disasters in Central America by financing activities that increase the capability of regional, national, and community authorities and organizations to forecast, respond to, and prevent disasters.... One of the main CAMI activities is strengthening national emergency systems to enhance their coordinating and operational roles before and during disasters. This includes national emergency offices and their municipal counterparts as well as NGOs and other key first responders."

Poverty is the major constraint to preparedness and mitigation in Central America. This fact, and financial constraints within USAID, reduced some respondents' enthusiasm for continued investments in preparedness and mitigation after the reconstruction program.



USAID community development, local governance, and civil society programs offer promise for building local preparedness and increasing attention to disaster mitigation.

joined their USAID and some USG agency colleagues in reasoning that, because "the poor are most vulnerable to disasters," interventions designed to "build back livelihoods" and revitalize the local economy were also related to mitigation, and should be continuing priorities after reconstruction.

Most USAID staff and implementers advocated directing future investments in preparedness and mitigation to the municipal and local level. They asserted that lives and property can best be saved through local interventions. One implementer who formerly worked for USAID stressed, "that's where the money pays," and pointed out that construction of a few meters of better storm drainage "would save an entire colonia." In this regard, USAID community development, local governance, and civil society programs offer great promise for building local preparedness and increasing attention to disaster mitigation. In contrast to technology and infrastructure programs, these relatively lower cost activities were considered by many interviewees to be the most efficient and sustainable use of agency funds.

One mission interviewee laid out a compelling rationale for continued efforts at the municipal level. "It's very frustrating to maintain disaster mitigation over time. However, at the municipal level, if mitigation activities can be self-sustaining, if a level of municipal development can be achieved where they know where the water source is because they're collecting user fees; where they know all the roads and infrastructure, because the municipality built and uses them; if municipal leaders are empowered to really manage their communities, then they would also be inclined to invest in mitigation. They'd have a plan to protect their municipality."

Some respondents proposed that preparedness and mitigation efforts should be infused in democracy and governance programs, including support for efforts to draft laws on land tenure and land use, as well as strengthening the capacity of local civil society groups to ensure that such laws are enforced. In El Salvador, many respondents noted that communities that had organized themselves as part of the national reconstruction process after the civil war and during Hurricane Mitch reconstruction, were better able to identify their priority needs after the recent earthquakes and to access services from the government. Respondents in other countries described the importance of community committees and the need to continue and expand support for these community-based efforts.



Others pointed out synergies between agriculture, environment and natural resource programs, and potential mitigation efforts. Many respondents hoped that work in watershed management would continue, because of the benefits to local farmers and their communities, as well as communities downstream. Some felt that either environment or agriculture could be the sectoral "home" for a post-reconstruction SpO.

Many interviewees, both in the USG cohort and in the host government and implementer communities, emphasized that preparedness and mitigation require a "mindset." One mission staffer echoed many respondents in saying that a major local constraint to preparedness and mitigation is "cognitive." Many respondents stressed the importance of focusing on preparedness and mitigation efforts while local people's recollection of the hurricanes was still vivid.

In this regard, USAID should capitalize on its experience and multi-sector expertise in social marketing. For some years, USAID and its implementing partners, particularly in the health and environment sectors, have used social marketing techniques in efforts as diverse as national immunization campaigns, HIV/AIDS education and prevention, protection of parks and endangered species, and recycling and other solid waste management schemes. A new SpO on preparedness and mitigation should include social marketing prominently and build upon the successes of community-designed communication techniques already developed during the reconstruction program. At the same time, LAC should develop this SpO with a view toward using social marketing to help build public demand for increased government services and efforts related to preparedness and mitigation.

USG participating agencies also addressed future mitigation opportunities. The preponderant theme in their responses on this issue was the need to "protect the investment" made in the reconstruction program. Some USG respondents in Washington and in the field added another dimension to USAID's coordination function with regard to the participating agencies and host governments, by proposing that USAID could help them leverage other donor support to continue their work. As one interviewee put it, "USAID could bring together a tripartite relationship between USAID, [the participating agency, and the Interamerican Development Bank." Others emphasized that, because USAID has existing relationships with the Ministry of Finance in many reconstruction countries, the agency should help facilitate joint work by

Preparedness and mitigation require a "mindset." In this regard, USAID should build upon its years of experience and multi-sector expertise in social marketing.



"Disasters are local; solutions must be local." USAID and implementing partners should maximize ongoing relationships with municipalities and local communities to identify cross-sectoral opportunities for advancing preparedness and mitigation.

these Ministries and the participating agencies in accessing donor financing.

Recommendations:

2.10.1. "Disasters are local; solutions must be local." USAID and implementing partners should maximize ongoing relationships with municipalities and local communities to identify cross-sectoral opportunities for advancing preparedness and mitigation. USAID and implementers should also identify opportunities to strengthen linkages between local efforts and national emergency management systems.

2.10.2. Reconstruction status should lead to the requirement that a new Country Strategic Plan (CSP) incorporate technical analysis of the country's disaster preparedness and mitigation institutional capacity. BHR/OFDA should help develop the guidance for this analysis, which should inform the development hypothesis implicit in the CSP results frameworks.

2.10.3. Because of the inter-relationship between environmental management and preparedness and mitigation, USAID should use Regulation 216 as a resource for integrating attention to preparedness and mitigation across development sectors. In this regard, USAID should disseminate the environmental guidelines for housing developed by USAID/Honduras and adapt these guidelines to other sectors.

2.10.4. While memories of Hurricanes Mitch and Georges are still vivid, the LAC Bureau should design a SpO that employs proven social marketing techniques to build public awareness and change behaviors about preparedness and mitigation. This SpO should incorporate USAID's extensive technical expertise in social marketing and mobilize the missions, host governments, municipalities, other donors, and implementers, as well as media, in developing, testing, and communicating targeted preparedness and mitigation messages. The SpO should be incorporated across development sectors to the extent possible and should be designed with the intent of increasing public demand for improved preparedness and mitigation efforts by host governments.