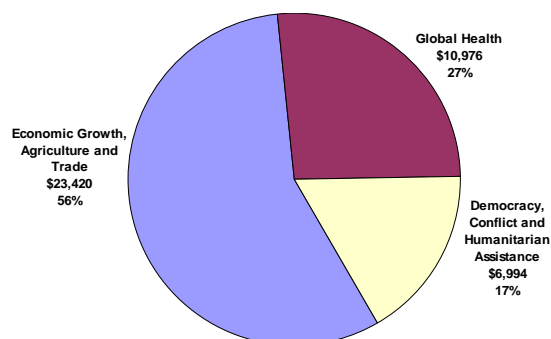
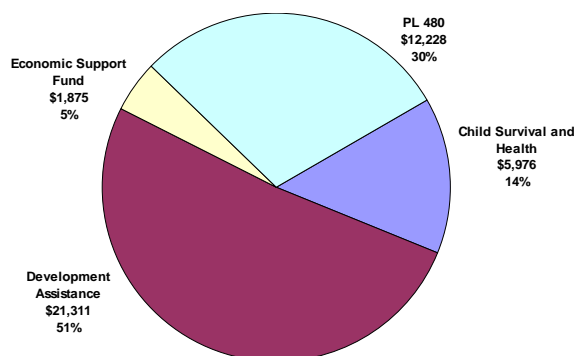


Nicaragua

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



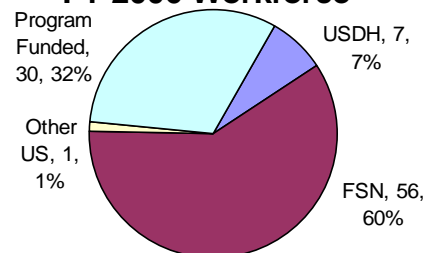
Objectives and Budget

| Objective | SO Number | FY 2004 | FY 2005 | FY 2006 |
|--|-----------|---------------|---------------|---------------|
| Ruling Justly | 524-021 | 6,393 | 8,755 | 6,994 |
| Economic Freedom | 524-022 | 15,168 | 14,721 | 14,192 |
| Investing in People | 524-023 | 13,100 | 14,598 | 7,976 |
| PL 480 Title II | | 7,046 | 8,994 | 12,228 |
| Total (in thousands of dollars) | | 41,707 | 47,068 | 41,390 |

Administrative Expenses and Workforce

| Administrative Expenses | FY 2004 | FY 2005 | FY 2006 |
|--|--------------|--------------|--------------|
| Mission Allocation | 2,435 | 2,626 | 2,471 |
| USDH Salaries & Benefits | 957 | 823 | 841 |
| Program Funds | 1,919 | 1,919 | 1,919 |
| Total (in thousands of dollars) | 5,311 | 5,368 | 5,231 |

FY 2006 Workforce



Mission Director:
(Acting) Alexander Dickie

Nicaragua

The Development Challenge: Over the last several years, Nicaragua has made strides in establishing and strengthening democratic institutions, improving the education and health status of the population, and, in the last two to three years, turning around its sluggish economy. Nicaragua's improved situation is both remarkable and fragile. Its advances are remarkable in that Nicaragua has been plagued with formidable setbacks in recent years, including devastating natural disasters and political corruption at the highest levels in past administrations. The fact that measurable progress has occurred, however, signals the dedication of many Nicaraguans to improving the country's living standards.

The executive branch of the current Government of Nicaragua has a strong political will to implement economic reforms and invest in social development; however the country is still beleaguered by serious problems that hold back the country's economic growth and social development. Despite its rich natural resources and substantial donor support, Nicaragua remains the second poorest country in Latin America, just above Haiti. Real per capita gross domestic product and income levels are lower than those of the 1960s. Nicaragua's high external debt (\$6.5 billion before recent debt forgiveness) and internal debt (\$1.5 billion) have inhibited growth. Around 75% of the population lives on less than \$2 a day, unemployment and underemployment are close to 50%, and income inequality is very pronounced. However, there have been some recent improvements. Real economic growth declined from 7.4% in 1999 to 1% in 2002, then turned around to grow back to 2.3% in 2003, and about 4% in 2004. Foreign investments have increased by about 35% since 2001 and remain at about \$200 million per year. In January 2004, Nicaragua reached the completion point of the Heavily Indebted Poor Country (HIPC) Initiative and, as a result, will have approximately 80% of its external debt forgiven.

Considerable improvements in health and education have been made over the past decade, although significant problems remain. USAID programs have contributed to a steady decline in infant mortality, reduced malnutrition among children under two from 13.0% in 2000 to 9.6% in 2003, and increased infant DPT (diphtheria, pertussis, and tetanus) immunization coverage from 47% to 67%. Despite these improvements, however, maternal and child mortality, chronic malnutrition, and population growth rates remain among the highest in the hemisphere. On average, Nicaraguans complete fewer than five years of schooling, and nearly 500,000 children, aged three to 12, remain outside the formal education system. However, key advances in the education system have resulted from USAID assistance such as the model schools program, which has increased fifth grade completion rates in Nicaragua.

By far the most serious obstacle to progress in Nicaragua, affecting the economy and the welfare of the people, is the extremely politicized and weak judicial system. The country has seen three technically satisfactory presidential elections since 1990, but it suffers from continuous manipulation of the institutions by political bosses for personal benefits and power for the elites. The justice system, in general, is inefficient and politicized. Establishing the legal and institutional framework to promote the transparency and rule of law necessary to protect citizens' rights and encourage business and investor confidence requires dramatic reforms. The situation reached a crisis level in November 2003, and the U.S. Government responded by suspending direct assistance to the Nicaraguan judicial system, based on a series of events that placed the efficacy of that assistance in question. Work continued, however, with civil society groups and on public oversight activities. In May 2004, USAID restarted assistance for selected activities related to the judicial system but maintained a freeze on most activities with the courts and those with the National Assembly that are not directly relevant to U.S. interests.

A key U.S. national interest in Nicaragua is to promote economic growth through integration in regional and global markets, since Nicaragua's poverty and high unemployment can threaten the long-term sustainability of democracy and rule of law. Increased stability in Nicaragua's democratic institutions and growth in its impoverished economy contribute to a more secure, democratic and prosperous region. In addition, U.S. national security can be affected by Nicaragua's poorly controlled borders and weak governmental institutions that cannot adequately defend against international terrorism and transit of illegal aliens, drugs and arms.

Despite political weaknesses, Nicaragua is a relatively stable country that is slowly moving along the right path, consistent with the development precepts outlined in President Bush's Millennium Challenge Account (MCA): ruling justly, economic freedom, and investing in people. Nicaragua is one of 16 countries eligible for MCA assistance and has submitted a proposal to the Millennium Challenge Corporation for consideration. The current administration has imposed discipline and demonstrated that fiscal and monetary stability can be achieved. Inflation has been kept at bay, and the internal debt is being addressed. The current government's fight against corruption, focus on restarting the economy, and advances in health and education, if sustained, can help pave the way for achieving long-term development goals. But recent political manipulations show how fragile these gains are.

The USAID Program: USAID is requesting FY 2005 and FY 2006 funds for three strategic objectives that concentrate on: promoting justice sector reform and implementing an aggressive anticorruption program; fostering trade-led economic growth and rural diversification; and increasing access to quality health services and basic education. USAID will use FY 2005 and FY 2006 funds to continue or start programs to reform the justice sector, promote transparency and accountability, and strengthen public oversight; to help implement free trade agreements and improve the competitiveness and market linkages of Nicaraguan businesses, including green markets, tourism, and other enterprises that seek to conserve and sustainably use natural resources; and to provide technical assistance to the government of Nicaragua's key social sector ministries to support improved management, transparency and accountability to ensure more accessible and better quality of public services. USAID will provide limited support for general elections, which are scheduled for 2006. Activities under the P.L. 480 Title II program are integrated into economic growth and human investment programs. In implementing its programs, USAID plans to expand public-private alliances to leverage resources and extend the reach of its assistance.

Other Program Elements: In addition to its bilateral program, USAID funds activities in Nicaragua which are managed regionally by the Bureau for Latin America and the Caribbean, including programs to strengthen regional mechanisms that fortify civil society and local government and promote human rights and rule of law, improve management of national parks, improve agricultural and dairy production, and promote education reform. USAID's Bureau for Global Health funds child survival programs and provides loans for private sector family health clinics. The Central America Regional Program carries out activities in Nicaragua in trade capacity building, agricultural diversification, linkages to green markets, protected area management, specialty coffee development, clean production, energy sector reform, natural resources management, teacher training, HIV/AIDS prevention, and addressing trafficking in people. USAID's Office of Foreign Disaster Assistance funds activities in Nicaragua that reduce the impact of natural disasters. USAID Washington also supports a successful Global Development Alliance in the education sector.

Other Donors: The Government of Nicaragua continues to strengthen donor coordination through the sector coordination roundtables (USAID leads the economic growth roundtable), which provide a forum to prioritize development needs and harmonize donor activities. Nicaragua also participates as one of the few pilot countries for a Joint Country Learning Assessment under the auspices of the Organization for Economic Cooperation and Development. Overall donor assistance averages about \$500 million per year in grants and loans. The United States and Sweden were the principal bilateral sources of assistance in 2003, followed by Denmark, Germany, Japan, Spain, the Netherlands and Switzerland. The activities of these countries complement USAID's programs in democracy, economic growth, education and health. Multilateral assistance and loans come primarily from the Inter-American Development Bank (competitiveness, tax reform, and social sector adjustment), the European Union (rural development, agricultural policy, and education), the World Bank (support for implementation of Nicaragua's Poverty Reduction Strategy), the World Food Program (food security), and the Central American Bank for Economic Integration. As an MCA eligible country, if Nicaragua's proposal is selected and a compact with the U.S. Government is signed, the country is poised to receive additional U.S. Government funding.

Nicaragua PROGRAM SUMMARY

(in thousands of dollars)

| Accounts | FY 2003 Actual | FY 2004 Actual | FY 2005 Current | FY 2006 Request |
|---|-------------------|-------------------|--------------------|--------------------|
| Child Survival and Health Programs Fund | 9,830 | 7,805 | 7,776 | 5,976 |
| Development Assistance | 23,460 | 26,856 | 26,826 | 21,311 |
| Economic Support Fund | 0 | 0 | 3,472 | 1,875 |
| PL 480 Title II | 16,200 | 7,046 | 8,994 | 12,228 |
| Total Program Funds | 49,490 | 41,707 | 47,068 | 41,390 |

STRATEGIC OBJECTIVE SUMMARY

| | | | | |
|---------------------------------------|-------|--------|--------|--------|
| 524-001 Strengthening Democracy | | | | |
| DA | 500 | 0 | 0 | 0 |
| 524-002 Sustainable Economic Growth | | | | |
| DA | 3,900 | 0 | 0 | 0 |
| 524-003 Improved Health and Education | | | | |
| CSH | 1,750 | 0 | 0 | 0 |
| DA | 2,583 | 0 | 0 | 0 |
| 524-021 Ruling Justly | | | | |
| DA | 5,580 | 6,393 | 5,283 | 5,119 |
| ESF | 0 | 0 | 3,472 | 1,875 |
| 524-022 Economic Freedom | | | | |
| DA | 6,742 | 15,168 | 14,721 | 14,192 |
| 524-023 Investing in People | | | | |
| CSH | 8,080 | 7,805 | 7,776 | 5,976 |
| DA | 3,617 | 5,295 | 6,822 | 2,000 |

Mission Director (Acting),
Alexander Dickie

Data Sheet

| | |
|--|---|
| USAID Mission: | Nicaragua |
| Program Title: | Ruling Justly |
| Pillar: | Democracy, Conflict and Humanitarian Assistance |
| Strategic Objective: | 524-021 |
| Status: | Continuing |
| Planned FY 2005 Obligation: | \$5,283,000 DA; \$3,472,000 ESF |
| Prior Year Unobligated: | \$0 |
| Proposed FY 2006 Obligation: | \$5,119,000 DA; \$1,875,000 ESF |
| Year of Initial Obligation: | 2003 |
| Estimated Year of Final Obligation: | 2008 |

Summary: USAID's program will help strengthen judicial institutions, leading to a more democratic Nicaragua. It will contribute to the enactment of better and more modern laws drafted and approved with strong public participation and ownership. Mobilization of public oversight groups will help promote and preserve USAID-supported reforms, including increased protection of human rights. As an integral part of the G-8 anticorruption initiative, USAID will focus on greater transparency and accountability of government by implementing an aggressive anticorruption campaign and promoting freedom of information for the media and the public.

Inputs, Outputs, Activities:

FY 2005 Program: The U.S. Government is reassessing future interventions in the justice sector in light of a suspension of direct assistance to the judicial system in November 2003 that was partially lifted in May 2004. USAID will support re-engagement with the courts if and when the suspension is fully lifted.

Improve Justice Sector/Legal Framework (\$3,610,000 DA). USAID will fund training and technical assistance to advance implementation of the Criminal Procedures Code and the Criminal Code, reforms that were developed with USAID assistance. With the passage of the Judicial Career Law, which establishes ethical standards and defines tenure for judges, USAID will fund training for implementation of the merit-based system for selection, promotion, and discipline of judges and other judicial personnel, as well as judicial ethics. USAID-funded technical assistance will help consolidate public prosecution and defense functions by improving the public defenders office's capacity to provide pro bono defense services to the indigent and expanding access to and use of alternative dispute resolution. Technical assistance and training for public oversight groups will help mobilize support for judicial reforms and human rights protection. Principal contractors and grantees are Checchi and Company Consulting Inc., Florida International University, the Organization of American States (OAS), Carana Corporation, and other implementers to be determined.

Promote and Support Anticorruption Reforms (\$1,620,000 DA). Provided that progress in promoting judicial independence continues, USAID will fund technical assistance for judges, prosecutors, public defenders, and other officials to strengthen prosecution of corruption cases. USAID will fund targeted assistance to professional associations (i.e. associations of lawyers, law school deans, and business organizations) to improve their capacity to advocate for transparency-related reform on behalf of their members. Technical assistance and training for public oversight groups will raise public awareness and increase civil society participation in government oversight. Principal contractors and grantees are Checchi and Company Consulting Inc., Florida International University, and others to be selected.

Promote and Support Free and Fair Elections (\$3,472,000 ESF). With national elections scheduled for November 2006, USAID plans to provide limited support for election-related activities to increase voter registration, open the environment for new political parties, and organize Nicaraguan advocacy groups to perform domestic electoral observation and voter education. Activities include updating civil registries and files for voter registration, mobilizing public oversight coalitions and media involvement for electoral monitoring, and increasing voter participation and public awareness. Support for international elections observers may also be considered. Implementers to be determined.

FY 2006 Program: Improve Justice Sector/Legal Framework (\$2,815,000 DA). USAID plans to fund training courses for prosecutors and defense lawyers and establish training units within the Public Ministry, the public defenders office, and law schools to continue advancing implementation of new, key laws such as the Judicial Career Law, the Prosecutor Career Law, and the Arbitration and Mediation Law. USAID plans to strengthen justice services by extending alternative dispute mechanisms and identifying reforms that will make the justice system more accessible to ordinary citizens. USAID expects to continue to support public oversight activities to advocate for justice and human rights reforms. Implementers to be determined.

Promote and Support Anticorruption Reforms (\$2,304,000 DA). Priority will be given to supporting the completion and implementation of key elements of the Government of Nicaragua's Anticorruption and Governance Strategy and Plan, as well as the government's implementation of its commitments with the Inter-American Convention against Corruption. USAID plans to support initiatives to improve budget transparency and management, with particular attention to the defense budget, education, health, and the justice sector. USAID may provide targeted support for governance and institutional reform efforts to increase the accountability of elected representatives to their constituents. In addition, USAID plans to continue to train local officials on transparent governance and help build local nongovernmental oversight. Planned activities, including training and technical assistance to key government agencies regarding responsibilities to provide public information, as well as media training in investigative reporting, will help implement the Access to Information Law. Implementers to be determined.

Promote and Support Free and Fair Elections (\$1,875,000 ESF). USAID plans to continue limited support for election-related activities to increase voter registration, open the environment for new political parties, and organize Nicaraguan advocacy groups to perform domestic electoral observation and voter education. Continuing activities would update civil registries and files for voter registration, mobilize public oversight coalitions and media involvement for electoral monitoring, and increase voter participation and public awareness. Support for international elections observers may be considered. Implementers to be determined.

Performance and Results: This is a new strategic objective that began in late FY 2003. Activities in support of this objective are expected to result in the full implementation of the Criminal Procedures Code and other legal reforms, including a new Criminal Code, during FY 2005. The public defender system will be expanded to help guarantee due process to Nicaraguan citizens regardless of their ability to pay. Passage and implementation of key legislation will enhance government accountability, transparency, efficiency and effectiveness. USAID played an instrumental role in calling attention to the issue of judicial independence and getting a new judicial career law passed. While the law has some problems, it is a great step forward in building judicial independence.

By program completion, USAID expects that Nicaragua will have made progress in establishing strong and democratic institutions and practices that are essential to achieving a full, functioning democracy and improving the domestic and foreign investment environment. Access to justice will have expanded through more capable justice institutions as well as availability of alternative dispute resolution mechanisms. Accountability of government and private institutions will have improved through better internal standards and increased citizen monitoring to prevent corrupt acts; and the government will have an enhanced capacity to identify and prosecute these acts when they occur.

US Financing in Thousands of Dollars

Nicaragua

| | DA | ESF |
|---------------------------------------|--------|-------|
| 524-021 Ruling Justly | | |
| Through September 30, 2003 | | |
| Obligations | 5,580 | 0 |
| Expenditures | 860 | 0 |
| Unliquidated | 4,720 | 0 |
| Fiscal Year 2004 | | |
| Obligations | 6,650 | 0 |
| Expenditures | 1,255 | 0 |
| Through September 30, 2004 | | |
| Obligations | 12,230 | 0 |
| Expenditures | 2,115 | 0 |
| Unliquidated | 10,115 | 0 |
| Prior Year Unobligated Funds | | |
| Obligations | 0 | 0 |
| Planned Fiscal Year 2005 NOA | | |
| Obligations | 5,283 | 3,472 |
| Total Planned Fiscal Year 2005 | | |
| Obligations | 5,283 | 3,472 |
| Proposed Fiscal Year 2006 NOA | | |
| Obligations | 5,119 | 1,875 |
| Future Obligations | 11,521 | 0 |
| Est. Total Cost | 34,153 | 5,347 |

Data Sheet

| | |
|--|--|
| USAID Mission: | Nicaragua |
| Program Title: | Economic Freedom |
| Pillar: | Economic Growth, Agriculture and Trade |
| Strategic Objective: | 524-022 |
| Status: | Continuing |
| Planned FY 2005 Obligation: | \$14,721,000 DA |
| Prior Year Unobligated: | \$0 |
| Proposed FY 2006 Obligation: | \$14,192,000 DA |
| Year of Initial Obligation: | 2003 |
| Estimated Year of Final Obligation: | 2008 |

Summary: USAID's trade-led economic growth and rural diversification program will help increase the trade and sale of Nicaraguan products in local, regional, and international markets. The program will foster free trade and job creation by assisting the Government of Nicaragua (GON) in trade capacity building and economic policy reform activities related to the implementation of the U.S.-Central America Free Trade Agreement (CAFTA) and other free trade agreements. USAID will address policies and regulations that constrain investment, trade, competitiveness, and market access. These include the dual priorities of ensuring workers' rights and environmental conservation. The program will improve food security among the rural poor by diversifying their crops and linking them to markets.

Inputs, Outputs, Activities:

FY 2005 Program: Increase Participation in Global Trade and Investment (\$2,200,000 DA). USAID will help improve the capacity of the GON to implement free trade agreements such as CAFTA, and to adjust or establish laws, policies, and regulations consistent with these agreements. USAID will facilitate dialogue between the private sector and the GON to identify and remove barriers that inhibit broad based growth in trade and investment, and fund technical assistance to the public and private sectors to help exporters meet new regulatory requirements, such as biosafety and sanitary and phytosanitary standards. Other technical assistance may include streamlining customs procedures, harmonizing customs regulations, or revising commercial codes to make it easier to establish new businesses or resolve commercial disputes, and establishing protections for workers' rights. USAID will also provide technical assistance to private sector firms, civil society groups, and government officials to develop natural resource management laws, policies, and programs that support economic growth while ensuring sustainable use of natural resources and mitigating potential negative impacts on the environment. Principal contractors, grantees, and agencies are Michigan State University, the U.S. Department of Agriculture (USDA), the U.S. Department of Treasury and others to be selected.

Increase Private Sector Growth (\$11,043,000 DA). USAID-funded technical assistance will help improve the competitiveness of and establish market linkages for Nicaraguan businesses, especially small- and medium-scale enterprises. Technical assistance will help agricultural and other producers identify potential markets and produce goods that meet the quantity and quality demanded by the market. Market information will be widely disseminated, and workshops, trade shows, site visits, and study tours will be conducted to help Nicaraguan firms take advantage of new market opportunities resulting from CAFTA and other free trade agreements. A loan guarantee program through the Development Credit Authority will help increase access to credit from commercial banks for export companies. Technical assistance and training for the private sector will help Nicaraguan enterprises become more competitive by increasing access to clean, reliable, and affordable energy and communication systems, cleaner production technologies, and other improved technologies. With P.L. 480 Title II resources, USAID will provide technical assistance and training to improve food security and help rural families diversify and increase agricultural production and conserve soil and water resources. Principal contractors, grantees, and agencies are Michigan State University, USDA, Catholic Relief Services (CRS), Adventist Development Relief Agency (ADRA), Save the Children, Project Concern International (PCI), two commercial banks in Nicaragua (Banco de Produccion and FINARCA), and others to be selected.

Improve Sustainable Management of Natural Resources and Biodiversity Conservation (\$1,331,000 DA). To help protect biodiversity and mitigate global climate change, USAID will improve the competitiveness of Nicaraguan businesses in green markets, tourism, and other enterprises in order to conserve and sustainably use natural resources. USAID will fund technical assistance and training to help interested firms meet the criteria for a variety of environmental certification programs such as certified timber, ISO 14000, shade-grown coffee, and organic production, among others. USAID-funded technical assistance will also help managers of protected areas develop tourism strategies to attract more park visitors while promoting sustainable tourism activities. Principal contractors, grantees, and agencies are the Nature Conservancy, USDA, and others to be selected.

FY 2006 Program: Increase Participation in Global Trade and Investment (\$3,190,000 DA). USAID plans to continue activities that increase Nicaragua's competitiveness and improve its image as a good place to conduct business by continuing to strengthen customs and sanitary and phytosanitary systems through more transparent procedures and fee-based management systems. USAID expects to build on gains achieved in management and labor relations whereby companies become more competitive while complying with environmental and labor laws and regulations. USAID plans to fund technical assistance both for the GON and private firms to implement environmental protection requirements outlined in free trade agreements and other multilateral treaties. Implementers to be determined.

Increase Private Sector Growth (\$10,701,000 DA). USAID plans to continue activities similar to those planned for FY 2005. By FY 2006, several competitive clusters of industries should be emerging in Nicaragua, and USAID plans to work with business leaders in these clusters to improve their competitiveness in regional and global markets. USAID expects to focus resources on diversifying the agricultural sector and the economy as a whole. Planned activities will link light industry, tourism, sustainable forestry, and service enterprises to regional and international markets and provide technical assistance to help these businesses become more competitive. USAID plans to continue technical assistance to improve access to clean, reliable, and affordable energy and communication systems, and cleaner production technologies. In addition, USAID expects to train Nicaraguan businesses to provide this type of assistance through fee-based arrangements. USAID expects to continue support for market-led production and use of agricultural technologies through the P.L. 480 Title II program. Principal contractors, grantees, and agencies are USDA, CRS, ADRA, Save the Children, PCI, Banco de Produccion, FINARCA, and others to be selected.

Improve Sustainable Management of Natural Resources and Biodiversity Conservation (\$1,301,000 DA). USAID plans to continue to improve the competitiveness of Nicaraguan businesses in green markets, tourism, and other enterprises that conserve and sustainably use natural resources. By 2006, USAID expects some companies to receive environmental certifications and initiate trade under these certification systems. Implementers to be determined.

Performance and Results: Nicaragua signed the CAFTA agreement in December 2003. USAID assistance helped GON negotiators to understand the negotiation process and the commitments required under free trade agreements, and supported communication and outreach activities. As a result, public support for CAFTA in Nicaragua is high and will likely influence its passage in the National Assembly. USAID also initiated a series of technical assistance activities to help improve the business and investment climate. USAID assistance has helped Nicaraguan producers increase sales of fruits and vegetables in local, regional, and international markets by taking advantage of growing supermarket sales. Nicaraguan businesses also gained increased market access in the textile, tourism, electronics, and furniture making industries as a result of USAID programs.

By program completion, USAID expects that Nicaragua's competitiveness ranking will have improved relative to other countries. USAID anticipates an increase in the percentage of higher value-added sectors and sub-sectors (e.g., light manufacturing, tourism, services, and nontraditional agricultural and green products), relative to the overall economy.

US Financing in Thousands of Dollars

Nicaragua

| 524-022 Economic Freedom | DA | DCA |
|---------------------------------------|---------|-------|
| Through September 30, 2003 | | |
| Obligations | 10,520 | 0 |
| Expenditures | 4,076 | 0 |
| Unliquidated | 6,444 | 0 |
| Fiscal Year 2004 | | |
| Obligations | 13,836 | 1,320 |
| Expenditures | 1,930 | 0 |
| Through September 30, 2004 | | |
| Obligations | 24,356 | 1,320 |
| Expenditures | 6,006 | 0 |
| Unliquidated | 18,350 | 1,320 |
| Prior Year Unobligated Funds | | |
| Obligations | 0 | 0 |
| Planned Fiscal Year 2005 NOA | | |
| Obligations | 14,721 | 0 |
| Total Planned Fiscal Year 2005 | | |
| Obligations | 14,721 | 0 |
| Proposed Fiscal Year 2006 NOA | | |
| Obligations | 14,192 | 0 |
| Future Obligations | 49,911 | 0 |
| Est. Total Cost | 103,180 | 1,320 |

Data Sheet

| | |
|--|---------------------------------|
| USAID Mission: | Nicaragua |
| Program Title: | Investing in People |
| Pillar: | Global Health |
| Strategic Objective: | 524-023 |
| Status: | Continuing |
| Planned FY 2005 Obligation: | \$7,776,000 CSH; \$6,822,000 DA |
| Prior Year Unobligated: | \$0 |
| Proposed FY 2006 Obligation: | \$5,976,000 CSH; \$2,000,000 DA |
| Year of Initial Obligation: | 2003 |
| Estimated Year of Final Obligation: | 2008 |

Summary: USAID's program will help strengthen social sector government ministries through better governance and management practices, procurement integrity, decentralization and public oversight. Activities will improve access to and quality and efficiency of basic education, and increase and improve educational opportunities. Health interventions will improve reproductive, maternal, and child health services, and support better nutrition and hygiene practices. USAID is also leveraging private sector contributions for public social investments through alliances and corporate social responsibility.

All family planning assistance agreements will incorporate clauses that implement the President's directive restoring the Mexico City Policy.

Inputs, Outputs, Activities:

FY 2005 Program: Strengthen Democratic National Governance Institutions (\$3,579,000 CSH, \$2,026,000 DA). USAID will provide technical assistance to the key social sector ministries on a national and decentralized municipal level to support improved management, transparency, and accountability for higher quality service delivery. In close cooperation with the World Bank and the Inter-American Development Bank, USAID will help design an institutional reform and modernization program for the Ministry of Health. USAID will continue to advocate for legal reforms to promote the sale of generic medicines to underserved populations, while protecting international obligations regarding intellectual property rights. To help ensure public oversight in the education sector, USAID will promote participation through parents' councils and student governments, and encourage social auditing and performance report cards.

USAID will work with the Government of Nicaragua Social Security Institute (INSS), a group of 50 private sector health service providers, and a new consortium of Nicaraguan entrepreneurs and businesses to expand access to quality health care. A loan guarantee program under the Development Credit Authority will assist two Nicaraguan banks to foster lending of up to \$5 million in loans to private health care providers. USAID will promote public-private partnerships in the area of corporate social responsibility and business ethics, and foster alliances with faith-based private schools to strengthen social sector programs. Principal contractors are Management Sciences for Health and others to be selected.

Support Family Planning Programs (\$2,270,000 CSH). USAID funds technical assistance to a national network of 1,000 public health clinics and 15 key hospitals and emergency rooms to improve maternal and reproductive health care quality and health provider performance. To reduce the transmission of sexually transmitted infections and HIV/AIDS, USAID will fund outreach and behavioral change information campaigns targeted at-risk groups with higher risk behaviors and disease incidence in more than 1,000 communities, and ensure availability of condoms. USAID will continue to procure public sector contraceptives and promote development of a national contraceptive security plan that phases in Nicaraguan government resources for contraceptive purchases. Principal contractors are John Snow Inc., Academy for Educational Development (AED), NICASALUD Federation (sub), and others to be selected.

Improve Child Survival, Health and Nutrition (\$1,853,000 CSH). USAID will continue to provide technical assistance to: improve coordination between governmental and nongovernmental organizations in the

nationwide scale-up of proven health behavioral change interventions such as community-based growth promotion; strengthen the ability of the Ministry of Health to support and extend service delivery coverage in 1,000 more vulnerable communities; and strengthen a clearinghouse, advocacy, and coordination mechanism for nongovernmental organizations collaborating with the Ministry of Health. With P.L. 480 Title II resources, USAID will provide technical assistance to increase breastfeeding, immunization, infant feeding, and growth monitoring, targeting the poorest areas. Principal contractors and grantees are AED (prime); NICASALUD Federation (sub), Catholic Relief Services (CRS), Adventist Development Relief Agency (ADRA), Project Concern International (PCI), Save the Children, and others to be selected.

Improve the Quality of Basic Education (\$4,728,000 DA). USAID-funded technical assistance to the Ministry of Education will help improve teacher effectiveness, increase access to quality education, and promote community participation in education. USAID will fund the establishment of 110 municipal resource and mentoring centers for teacher excellence, and expand active teaching approaches through learning groups and community parental participation and involvement to approximately 800 new schools. Principal contractors are AED and others to be selected.

FY 2006 Program: Strengthen Democratic National Governance Institutions (\$1,912,000 CSH, \$500,000 DA). USAID plans to continue funding technical assistance to the social sector government ministries in the areas of accountability, governance, management and leadership, and decentralization. Technical assistance to the INSS and private sector health providers is expected to continue. USAID anticipates that at least half of the loans under the Development Credit Authority will have been made, providing expanded resources and credit to private health investors to help shift the burden of service delivery responsibilities away from the Ministry of Health. Implementers to be determined.

Support Family Planning Programs (\$2,092,000 CSH). USAID plans to continue programs to improve and expand maternal and reproductive health care and reduce transmission of HIV/AIDS and other sexually transmitted infections. Procurement of public sector contraceptives is expected to continue at slowly diminishing levels. USAID may fund a demographic and health survey to assess improvements in public health status and service delivery coverage since 2001. Implementers to be determined.

Improve Child Survival, Health and Nutrition (\$1,972,000 CSH). Activities in support of community and household health interventions are expected to continue, focusing on maternal and child services. Activities that support increased breastfeeding, immunization, infant feeding, and growth monitoring in the poorest municipalities are expected to continue under the P.L. 480 Title II program. Principal contractors and grantees are CRS, ADRA, PCI, Save the Children, and others to be selected.

Improve the Quality of Basic Education (\$4,500,000 DA). USAID plans to continue support to the Ministry of Education to expand quality education to more public primary schools through 200 new mentor resource centers of excellence in 120 municipalities. At least another 1,000 schools will be reorganized to apply the active teaching method in classrooms and community participation. USAID expects to help the Ministry of Education devise a plan for sustainability of the Centers of Excellence for Teacher Training presidential initiative. Implementers to be determined.

Performance and Results: This is a new strategic objective that began in FY 2003. Technical assistance to the Ministry of Health will strengthen its logistics and delivery systems and improve the quality of and access to health services by Nicaraguans and reduce transmission of sexually transmitted infections and HIV/AIDS. Assistance to the Ministry of Education will expand access to quality education through municipal centers of excellence in education and teacher training. By program completion, the Nicaraguan health and education systems, and the social sector as a whole, will be more efficient, with more capable, standardized, accountable, decentralized administration, and the Government of Nicaragua will have improved social sector policies, accountability, transparency, and governance.

US Financing in Thousands of Dollars

Nicaragua

| 524-023 Investing in People | CSH | DA | DCA |
|---------------------------------------|--------|--------|-----|
| Through September 30, 2003 | | | |
| Obligations | 7,480 | 4,367 | 0 |
| Expenditures | 5,211 | 572 | 0 |
| Unliquidated | 2,269 | 3,795 | 0 |
| Fiscal Year 2004 | | | |
| Obligations | 8,406 | 5,300 | 399 |
| Expenditures | 6,220 | 443 | 0 |
| Through September 30, 2004 | | | |
| Obligations | 15,886 | 9,667 | 399 |
| Expenditures | 11,431 | 1,015 | 0 |
| Unliquidated | 4,455 | 8,652 | 399 |
| Prior Year Unobligated Funds | | | |
| Obligations | 0 | 0 | 0 |
| Planned Fiscal Year 2005 NOA | | | |
| Obligations | 7,776 | 6,822 | 0 |
| Total Planned Fiscal Year 2005 | | | |
| Obligations | 7,776 | 6,822 | 0 |
| Proposed Fiscal Year 2006 NOA | | | |
| Obligations | 5,976 | 2,000 | 0 |
| Future Obligations | 13,696 | 2,746 | 0 |
| Est. Total Cost | 43,334 | 21,235 | 399 |