

**Audit of USAID/Nicaragua's Agricultural
Activities**

Audit Report No. 1-524-01-007-P

July 20, 2001



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

RIG/San Salvador

July 20, 2001

MEMORANDUM

FOR: USAID/Nicaragua Director, Marilyn A. Zak

FROM: Regional Inspector General/San Salvador, Timothy E. Cox

SUBJECT: Audit of USAID/Nicaragua's Agricultural Activities (Report No. 1-524-01-007-P)

This memorandum transmits our final report on the subject audit. The report contains five recommendations for your action. Final management decisions have been reached for all five recommendations and final action has been taken for recommendation Nos. 1, 3, 4, and 5. Final action for recommendation No. 2 can be recorded when planned actions have been taken. For this recommendation, please coordinate final action with the Office of Management Planning and Innovation (M/MPI/MIC).

I appreciate the cooperation extended to the audit staff during this engagement.

Table of Contents

Summary of Results	3
Background	4
Audit Objectives	6
Audit Findings	6
Are USAID/Nicaragua’s agricultural activities on schedule to achieve the planned outputs?	6
Program Element on Coffee Quality Needed To Be Re-Planned	6
Residual Credit Funds Needed To Be Programmed for Reconstruction Activities	7
Actions Were Needed to Better Plan and Monitor Road Construction	8
Has USAID/Nicaragua implemented an adequate monitoring system for its agricultural activities?	9
A Performance Monitoring Plan Was Needed	10
Data Reliability Assessments Were Needed	11
Appendix I – Scope and Methodology	12
Appendix II – Management Comments	13
Appendix III – Planned Versus Actual Outputs for USAID/ Nicaragua’s Agricultural Activities	20

Summary of Results

The Regional Inspector General/San Salvador performed this audit as part of its fiscal year 2000 audit plan. The audit's two objectives were to determine whether or not USAID/Nicaragua's agricultural activities were on schedule to achieve their planned outputs and whether the mission had implemented an adequate system to monitor these activities. (See page 6.)

Regarding the first objective, USAID/Nicaragua's agricultural activities were on schedule to achieve the planned outputs, except for a planned activity to improve coffee quality, another to create a self-sustaining credit facility, and a program to rehabilitate roads. (See page 6.)

The quality of coffee produced in Nicaragua was to be improved under an agreement with the Cooperative League of the U.S.A. (CLUA). However, most elements of this program segment of the work plan were behind schedule. This program element needed to be re-planned. (See page 6.)

CLUA's agreement also called for the planned \$2.4 million economic development fund to be self-sustaining over the long term. However, USAID reduced the credit fund to \$1.1million and CLUA has not been able to find a local entity to manage the credit fund. According to a CLUA official, these developments called into question the feasibility of creating a self-sustaining credit fund by the end of the reconstruction program. USAID/Nicaragua needed to find a use for unused credit funds that would contribute to the reconstruction effort. (See page 7.)

As of November 2000, CARE had rehabilitated about 321 kilometers of its revised project target of 850 kilometers rehabilitated rural roads. This left 529 kilometers to be completed before the project completion date of December 31, 2001. In order to accomplish this goal, CARE needed to (1) complete the selection of the roads to be rehabilitated (2) negotiate and sign agreements with the local municipalities where the roads are located (3) perform detailed planning for each project selected and (4) execute and complete the projects during the dry season in Nicaragua. Firm milestones for these actions were needed to help ensure that planned road segments could be rehabilitated before the project completion date. In addition, USAID/Nicaragua needed to obtain mapping information from CARE to facilitate monitoring of CARE's activities. (See page 8.)

Regarding the second audit objective, although the mission had implemented a system to monitor its agricultural activities, it had not developed a performance monitoring plan as required by USAID guidance. We also found that the mission had not performed reliability assessments of the data received from the implementing sponsors that is used in mission performance reporting. (See page 9.)

The report makes five recommendations to address these issues. (See pages 7 through 11.)

Background

Hurricane Mitch was the worst natural disaster in two centuries to hit Central America. The small farmer, the future of Nicaragua, suffered greatly. More than 25 percent of the country's cropland was damaged and eroded by the flooding. Mitch caused extensive crop losses in the north and northwest regions of the country. To understand the effect that Hurricane Mitch had on crop production, it is necessary to understand that Nicaragua has three annual plantings and harvests: the first is the Primera, the second is the Postrera, and the third is the Apante. Postrera red bean production—which accounts for almost half of annual bean production—fell by 76 percent, maize by 62 percent, sesame by 83 percent and vegetables by 95 percent. The rains and flooding not only reduced the harvests; they also destroyed much of the seed stock needed for both the Apante and the 1999 Primera growing seasons.

Mitch also caused widespread soil erosion and deforestation, and destroyed agricultural infrastructure, including soil and water conservation works, storage facilities, wells, irrigation and water control structures, and feeder roads. An estimated 11,550 hectares were permanently destroyed. Another 308,000 hectares (25 percent of the total cropland) were seriously damaged.

The audit focused on the activities funded by the supplemental appropriation for the Central America and the Caribbean Emergency Disaster Recovery Fund (CACEDRF) which was used by USAID/Nicaragua to provide \$35.2 million in funding to the Cooperative of the U.S.A. (CLUSA), CARE, Catholic Relief Services (CRS), Chemonics, and World Relief Corporation (WRC). All of the programs are scheduled to end on December 31, 2001.

Organization	USAID Amount	Cost Sharing
CARE	\$8,292,683	\$425,906
CLUSA	6,900,000	none
Chemonics	7,321,942	none
WRC	6,366,026	\$945,171
CRS	6,333,020	\$3,326,007
Total	\$35,213,671	\$4,697,084

Agriculture Activities Financed by USAID/Nicaragua

CARE - The principal focus of CARE's \$8.3 million Cash-for-Work program is to provide rural employment to people affected by Hurricane Mitch. Work projects are to include rehabilitation of rural roads, stone/earth bridges and fords, retaining walls and clearing of drainage channels. However, rehabilitation of rural roads are to be the most important activity.

At program inception, the original goal was to rehabilitate a total of 1,400 kilometers of roads in Nicaragua, with the principal aim of providing income through employment. However, the mission and CARE later agreed that the roads rehabilitated should have a longer useful life and meet uniform road specifications.

However, implementation of this new standard raised the cost per kilometer from \$2,000 per kilometer, to as much as \$6,000 per kilometer, depending upon the conditions at the individual work sites. As a result, the mission and CARE agreed to lower the project outputs for the total number of kilometers rehabilitated from 1,400 to 850 kilometers.

Cooperative League of the U.S.A. – The \$6.9 million program being implemented by CLUSA had four components. CLUSA will undertake the incremental technical assistance and training component itself with the remaining three components being implemented through subcontracts with ATMA-economic development fund component, Thanksgiving Coffee-coffee quality restoration component, and Zamorano-watershed technical assistance and training component.

Under its component, CLUSA will directly provide technical assistance to Hurricane Mitch-affected farmers in cash crop production, agribusiness, cost accounting, and post harvest handling, and marketing. The Economic Development Fund under ATMA is a credit facility for small farmers to finance production, post-harvest processing and marketing activities that will significantly increase farmer income. Thanksgiving Coffee will provide essential expertise for restoring, constructing, establishing, upgrading, and training cooperatives or associations in development of field level coffee tasting/quality control facilities. Zamorano's community-based watershed management program will train local farmers in soil conservation, sustainable hillside farming and basic organic farming techniques.

Chemonics – The two major elements comprising the \$7.3 million Chemonics program are the \$3.3 million special activity fund, and long and short-term consultancies. Both these elements are to increase the incomes of small farmers by improving the variety, quality and marketing of agricultural products. The special activity fund provides grants and contracts to cooperatives for activities that will result in increased incomes that will be sustainable after the conclusion of the program.

World Relief Corporation – World Relief Corporation received an award of \$6.3 million to fund agricultural reconstruction activities. The two major project components are (1) imparting small farm technology through demonstration/training/technical assistance for agricultural recovery; and (2) re-establishment of crop collection and marketing services. Under component one, two additional small farm resource centers are to be created as well as strengthening the centers currently in use. The training centers will assist farmers with small farm production technology, integrated pest management, production of seed and vegetative material, wood production and wood lot management. Component Two, crop collection and marketing services will provide the marketing infrastructure to ensure efficient movement of crops from the farmer to the marketplace.

Catholic Relief Services - Catholic Relief Services received a \$6.3 million award from USAID/Nicaragua. These funds, combined with the \$3.3 million in CRS cost-

sharing contributions will fund the following interventions: improvement of agriculture production methods, diversification of crops, storage bins and silos to reduce crop losses and spoilage, simple irrigation systems, reforestation using plant and seedling beds, clearing crop land of large stones, and building water-restraining barriers to slow the down hill flow of water.

In addition, CRS will implement a pilot credit program with coffee farmers.

Audit Objectives As part of its fiscal year 2000 audit plan, the Regional Inspector General/San Salvador performed an audit to answer the following questions:

- Are USAID/Nicaragua’s agricultural activities on schedule to achieve the planned outputs?
- Has USAID/Nicaragua implemented an adequate monitoring system for its agricultural activities?

The audit scope and methodology is presented in Appendix I.

Audit Findings **Are USAID/Nicaragua’s agricultural activities on schedule to achieve the planned outputs?**

USAID/Nicaragua’s agricultural activities were on schedule to achieve the planned outputs, except for a planned activity to improve coffee quality, another to create a self-sustaining credit facility, and a program to rehabilitate roads. (See Appendix III for a comparison of planned and actual outputs for each activity as of September 30, 2000.)

The activities that were not on schedule are discussed in the following sections.

**Program Element on Coffee
Quality Needed To Be Re-Planned**

The quality of coffee produced by 2,500 small farmers in Nicaragua was to be improved under this element of the CLUSA agreement. However, as of December 2000, most elements of this program segment of the work plan were behind schedule. According to USAID/Nicaragua, these delays occurred because it took longer than expected to identify groups that CLUSA could work with to improve coffee quality.

Coffee quality was to be improved through the construction and equipping of ten cupping laboratories. (“Cupping” is a method of tasting and grading coffee to

establish the quality of individual lots of coffee to set prices.) CLUSA was also to train Nicaraguans to staff and manage these laboratories. At the time of our audit, none of the planned laboratories had been set up and no “cuppers” had been trained.

In addition, CLUSA was to hold coffee fairs to promote the marketing of Nicaraguan coffee, but these events had not taken place by the end of our audit. The CLUSA coffee quality representative stated that the coffee fairs could not take place because the cupping activities had not been implemented. Therefore, CLUSA must reschedule this program segment in order to meet the objectives of the agreement within the second year.

Recommendation No. 1: We recommend that USAID/Nicaragua require the Cooperative League of the U.S.A. to redesign the coffee quality segment in its 2001 work plan to ensure that its planned activities can be implemented and completed prior to the December 31, 2001 scheduled program completion date.

Management Comments and Our Evaluation – In its comments on our draft report, USAID/Nicaragua stated that CLUSA reprogrammed the coffee quality activities to USAID/Nicaragua’s satisfaction. Accordingly, final action has been taken on this recommendation.

Residual Credit Funds Needed To Be Reprogrammed

CLUSA’s agreement called for a planned \$4.5 million economic development fund to be a self-sustaining fund over the long-term. To facilitate this aim, CLUSA was to seek out partnerships with existing credit entities in Nicaragua that would continue to manage the credit fund after the end of the Hurricane Mitch reconstruction program on December 31, 2001. However, CLUSA officials stated that they were unable to find such a partner and USAID has reduced the credit fund to \$1.1 million. According to a CLUSA official, these developments called into question the feasibility of establishing a self-sustaining credit fund. Therefore, USAID/Nicaragua needed to reprogram the remaining credit funds for some use that would contribute to the reconstruction program.

Recommendation No. 2: We recommend that USAID/Nicaragua determine the estimated funds that will remain in the Cooperative League of the U.S.A. credit fund at December 31, 2001 and program these funds for an activity that meets the objectives of the Hurricane Mitch reconstruction program.

Management Comments and Our Evaluation – In its comments on the draft audit report, USAID/Nicaragua estimated that \$1.35 million will remain in the credit fund at December 31, 2001. The mission has made the decision to maintain the fund under the management of a local credit institution to be selected through a bidding

process to begin in July 2001. Therefore, a final management decision has been made for this recommendation. Final action for this recommendation can be recorded when the award to a local credit institution has been made.

Actions Were Needed to Better Plan and Monitor Road Construction

As of November 2000, according to CARE officials, CARE had rehabilitated about 321 kilometers of its revised project goal of 850 kilometers. This left 529 kilometers to be completed before the project completion date of December 31, 2001. In order to accomplish this goal, CARE needed to (1) complete the selection of the roads to be rehabilitated, (2) negotiate and sign agreements with the local municipalities where the roads are located, (3) perform detailed planning for each project selected, and (4) execute and complete the projects during the dry season in Nicaragua. CARE officials stated that they had conferred with municipalities regarding possible work sites but had not yet identified specific roads to be rehabilitated in 2001. Unless firm milestones for these actions are established, it may not be feasible to complete the planned outputs before the project completion date.

In discussions with CARE officials during our fieldwork, the officials stated that they had begun general discussions with municipalities in these areas. However, at that time, the required agreements needed for the remaining 529 kilometers to be rehabilitated had not been formally agreed to or signed. Further, the other actions noted above could not take place until after signature of the agreements. In order to meet the stated goal of rehabilitating the total 850 kilometers of road called for in the amended cooperative agreement, CARE needed to establish milestone dates for the completion of key project tasks to ensure that all activities were accomplished during the one year remaining in the program.

Another issue concerned the need to reliably map the roads rehabilitated by CARE. According to the cognizant technical officer, as of November 2000, there was no reliable means to locate the roads constructed by CARE, or to measure their total length. The roads rehabilitated by CARE are in very remote areas of Nicaragua and in order to locate them one had to be escorted by CARE personnel familiar with the project sites. This provided neither a suitable means to monitor work under the project, nor a historical record of work for maintenance or reference.

The U.S. Department of Agriculture has provided Global Positioning System (GPS) mobile units and mapping software to all implementing partners under USAID/Nicaragua's agriculture program. These units provide an accurate measure of both the locations and lengths of the roads. U.S. Department of Agriculture officials stated that CARE had begun to provide information on some of the roads it has rehabilitated, but no formal agreement was in place to ensure that GPS mapping information would be provided for all the project sites where they had and would work. GPS mapping of all the CARE projects would provide the most reliable

means to ensure that CARE has provided the quantity of rehabilitated roads specified in the agreement.

Recommendation No. 3: We recommend that USAID/Nicaragua:

- 3.1 set milestone dates for (a) completion of the site selection for the remaining 529 kilometers of road to be rehabilitated, (b) completion of the required agreements with municipalities, (c) detailed planning for each project selected, and (d) construction start and completion dates for all projects in coordination with CARE to ensure that they are completed by December 31, 2001; and**
- 3.2 require CARE to provide Global Positioning System mapping of all previously completed, present, and future road project sites to provide an independently verifiable record of all roads constructed.**

Management Comments and Our Evaluation – USAID/Nicaragua stated that the target for road rehabilitation during the activity’s second year has been reduced to 442 kilometers. This reduction in the number of kilometers of road to be rehabilitated resulted from cost increases from rehabilitating the roads to higher quality standards. USAID/Nicaragua’s response and the accompanying documentation indicates that CARE has provided the Mission with substantially all of the documentation required by recommendation No. 3.1 as well as complete digital mapping files for all roads completed by CARE as required by recommendation No. 3.2. Accordingly, final action has been taken for both parts of recommendation No. 3.

Has USAID/Nicaragua implemented an adequate monitoring system for its agricultural activities?

We found that the mission had implemented a monitoring system for its agricultural activities. However, this monitoring system did not meet the requirements of USAID policy because it did not include a performance monitoring plan or data reliability assessments of information provided by implementing partners.

The mission took actions to monitor its agricultural activities such as establishing intermediate results indicators and ensuring that all mission staff (program staff, cognizant technical officers, and the Mitch reconstruction coordinator) make frequent field trips to the activity sites and write trip reports to document their visits. However, the mission did not have a Performance Monitoring Plan for these activities. We also found that the mission had not conducted data reliability assessments of secondary information provided by implementing partners, which was the source of the mission intermediate results indicator reporting data.

A Performance Monitoring Plan Was Needed

Section 201.3.4.13.a of the Automated Directives System (ADS) states that missions must have a written Performance Monitoring Plan (PMP) document for each strategic objective within one year of strategy approval. At a minimum, PMPs must:

- provide a detailed description of the performance indicators to be tracked;
- specify the source, method, and schedule for data collection and assign responsibility for data collection to a specific office, team, or individual;
- describe the known data limitations, discuss the significance of the limitations for judging the extent to which goals have been achieved, and describe completed or planned actions to address these limitations;
- describe the quality assessment procedures that will be used to verify and validate the measured values of actual performance.

Mission officials told us that the mission did not have a Performance Monitoring Plan for the special objective for Hurricane Mitch assistance. The mission had planned to produce performance monitoring plans for each element of its overall program, but as of December 2000, the plans had not been produced. Mission officials believed that their intermediate results indicators could be substituted for the PMP.

The mission did have intermediate results indicators and performed frequent field trips to the activities. These actions served to satisfy the first two required elements of the performance monitoring plan described above—determining the performance indicators to be tracked and the source of data for these indicators.

However, as is also shown in the following finding area, the mission needed to take actions to satisfy the final two elements of the PMP—determining the reliability of data sources and verifying the accuracy of the data. An overall performance monitoring plan would provide a means to measure monitoring activities against planned geographic and programmatic monitoring coverage of all activities.

Recommendation No. 4: We recommend that USAID/Nicaragua complete its performance monitoring plan for the Hurricane Mitch activities, to include a system (schedule) to track all field visits made by staff member, location, and type of activity.

Management Comments and Our Evaluation – In its comments on the draft audit report, USAID/Nicaragua stated that it has completed a Performance Monitoring Plan in accordance with the requirements of the ADS. In addition, cognizant technical officers generally prepare monthly schedules for site visits. Accordingly, final action has been taken for this recommendation.

Data Reliability Assessments Were Needed

As stated above, the mission had defined Intermediate Results indicators for its reconstruction activities. The implementing partners are the source for all information used in the reporting for all indicators. In accordance with ADS Section 203.3.6.6.a, this is considered secondary information and the mission needed to perform an assessment of the reliability of the information. As of December 2000, no such assessment had been performed. The mission had instead focused on critically evaluating the required quarterly progress reports and ensuring proper and accurate reporting by ongoing communication and frequent monitoring visits. The aim of these data reliability assessments is to determine how much confidence the mission can have that the data is usable for management and reporting purposes. Without such assessments the mission can not state with assurance that the performance information it reports on program results is reliable.

Recommendation No. 5: We recommend that USAID/Nicaragua perform data reliability assessments of the performance tracking systems and information reported by each of the implementing partners.

Management Comments and Our Evaluation – USAID/Nicaragua stated that, in accordance with its Performance Monitoring Plan, contract technical officers, other mission staff, and other U.S. Government agencies (the Department of Agriculture, the Army Corps of Engineers, and the National Oceanic and Atmospheric Agency) are conducting site visits to test the accuracy of reported information. Therefore, final action has been taken on this recommendation.

**Scope and
Methodology****Scope**

We audited USAID/Nicaragua's agricultural activities in accordance with generally accepted government auditing standards. The fieldwork was conducted at USAID/Nicaragua from October 23, 2000 through December 7, 2000. Our audit included site visits to the Nicaraguan departments of Esteli, Matagalpa, and Jinotega. In our assessment of internal controls we determined audit risk to be low to moderate. We used this assessment as the basis for determining the number of site visits we would make. We selected a judgmental sample of 10 of 118 community operating areas covered by the audited activities. The site visits covered all five implementing partners.

The audit focused on agriculture activities funded with \$35.2 million from the supplemental appropriation for the Central America and the Caribbean Emergency Disaster Recovery Fund. The activities were carried out by the Cooperative League of the U.S.A. (CLUSA), CARE, Catholic Relief Services (CRS), Chemonics, and World Relief Corporation (WRC).

Methodology

To answer the audit objectives, we interviewed responsible officials and reviewed relevant documentation at USAID/Nicaragua and the five implementing entities.

To determine whether agricultural activities were on schedule to achieve planned outputs, we reviewed documentation at USAID/Nicaragua that included project design documents and the strategic objective grant agreement and its annexes. We also reviewed the agreements for each of the five implementing partners that included the project's activity description. These documents provided the project's funding, listed the expected outputs and identified the project timeframe. In addition, we reviewed work plans, quarterly progress reports, and records of site visits made by USAID/Nicaragua personnel to the reconstruction areas. Further, we performed site visits to project sites to determine the extent of progress made to date on the agricultural activities. For the purposes of this audit, we determined performance to be on schedule if actual outputs were within 25 percent of planned outputs as of September 30, 2000. In establishing this threshold, we made judgments about the level of performance that was practical and attainable for the audited activities.

To determine whether USAID/Nicaragua had implemented an adequate monitoring system for the activity, we interviewed USAID/Nicaragua project officials to determine what monitoring mechanisms are in place. As stated above, we also obtained copies of status reports provided by the five implementing entities and site visit reports prepared by USAID/Nicaragua personnel.

**Management
Comments**

29 Jun 2001

Mr. Tim Cox
Regional Inspector General/San Salvador
USAID/Office of the Regional Inspector General
San Salvador, El Salvador

Dear Mr. Cox:

SUBJECT: Audit of USAID/Nicaragua's Agricultural Activities
 Report No. 1-524-01-0XX-P

Thank you for the opportunity to comment on the draft audit report, which contains five recommendations. Please see the attached for the Mission's comments.

I appreciate the excellent working relationship that your auditors have with Mission management and personnel.

Sincerely,

Marilyn Zak
Director

Attch.

USAID/NICARAGUA
RIG Audit of Nicaragua's Agricultural Activities
Response to RIG'S Recommendations

Recommendation 1: We recommend that USAID/Nicaragua require the Cooperative League of the U.S.A. (CLUSA) to redesign the coffee quality segment in its 2001 work plan to ensure that its planned activities can be implemented and completed prior to December 31,2001 scheduled program completion date.

USAID/Nicaragua agrees with the terms of recommendation # 1 and in order to close it the following actions have been taken;

The Mission has received CLUSA's 2001 work plan. CLUSA has appropriately reprogrammed the activities to USAID's satisfaction for year 2001. The delays for implementing the activities during year 2000 were due to a slow learning process. In fact, most efforts during 2000 were oriented to coffee field management and identifying groups that could be educated and oriented toward coffee quality improvement through improved production practices and the use of centralized wet mills. These were key activities that had to be realized before further investments could be made and to avoid establishing facilities or structures that in the near future would not be adequately used by the beneficiaries due to lack of training and/or knowledge.

CLUSA has taken appropriate action and successfully met most of the proposed targets as follows:

- 1) Establishment of five centralized ecological wet mills: Three are completed and have processed part of the 2000-2001 coffee harvest, and two are under construction and are scheduled to be completed in August 2001.
- 2) Installation of nine coffee-cupping mini-laboratories in Nueva Segovia: The nine coffee-cupping laboratories are completed and will enable more than 40 cooperatives and small farmer groups to taste and to compare coffee quality during the 2001-2002 harvest season.

The wet mills are already reducing processing and labor costs to the benefited cooperatives. Another benefit accrued to these cooperatives has been an improvement and consistency in coffee quality. This quality enhancement has allowed them to sell their coffee at a better price; from NYC-9, the standard price for Nicaragua, to NYC+9. Buyers have demonstrated their willingness to pay a bonus differential for high quality.

We request that the recommendation be considered resolved and closed.

Recommendation 2: We recommend that USAID/Nicaragua determine the estimated funds that will remain in the Cooperative League of the U.S.A. credit fund at December 31, 2001 and program these funds for an activity that meets the objectives of Hurricane Mitch reconstruction program.

USAID/Nicaragua agrees with the audit report recommendation # 2 and in order to close it the following actions have been taken:

The Mission estimates that approximately US\$1.35 million will remain in the CLUSA credit fund at December 31, 2001, and has made the decision to maintain the credit fund, but under the management of a local credit institution. USAID will solicit bids from local credit institutions to continue managing this fund beyond December 31, 2001. It is the Mission's intention to institutionalize a system to ensure that small coffee producers have at least limited access to credit to improve coffee quality, beyond the Mitch program.

The CLUSA credit program main successes are:

- 1) Financing the construction of five centralized ecological wet mills for coffee cooperatives: The loans averaged \$50,000 each. The cooperatives have kept up with their scheduled payments. These cooperatives would not have qualified for financing through the formal banking system.
- 2) A \$38,000 loan to small farmers with the purpose of planting 21 manzanas of organic onions under a contract farming arrangement with Soledad Organics in Sébaco. The participating farmers made an average net income of \$5,580 each. This increase in income carried the participants well above the poverty line. Again, these small farmers would have never received a loan within the formal credit system.

Disposition of the fund:

USAID/Nicaragua has made the decision to maintain the credit fund but managed by a local credit institution. The credit will be available to fund the aforementioned activities, coffee quality improvement and credit for high value crops. To achieve this objective an open bidding process will be carried out with established micro-finance institutions or NGOs that have rural credit programs and that are already self-sustainable (See invitation for bids format-Attachment I).

This bidding process should begin during July, 2001 which will allow sufficient time for a smooth transition of the fund to the institution selected to operate it.

We request that the recommendation be considered resolved and closed.

Recommendation 3.1: Set milestone dates for (a) completion of the site selection for the remaining 510 kilometers of road to be rehabilitated, (b) completion of the required Agreements with municipalities, (c) construction start and completion

dates for all projects in coordination with CARE to ensure that they are complete as of December 31,2001.

USAID/Nicaragua agrees with the audit report that recommendation # 3.1 could contribute to the success of the “cash for work” road reconstruction program being implemented by CARE. In order to close this recommendation the following actions have been taken:

CARE has provided USAID/Nicaragua with the necessary documentation for the 442 kms of roads rehabilitated during Year 2 of the program. The target for this year activity has been reduced to about 13% (68 kms of road). The reduction in the amount of kilometers from the original target (510 kilometers) is a direct result of the cost increase per kilometer being reconstructed. This modification was necessary in order to meet

USAID quality standards, assure the durability of these roads under hard tropical weather conditions, and take into consideration the rough and irregular terrain.

As described in the attached table (Attachment II). CARE has negotiated and signed maintenance agreements with participating communities and municipalities. The final eight agreements will be signed no later than July 31 covering all 442 kms of road rehabilitated during year 2. According to the implementation plan, all projects will be completed three months prior to the Mitch completion date of December 31, 2001. Program implementation dates show enough lead time to compensate for any delays that could occur during the construction period. Also, prior experience from CARE implementation of Year 1 activities, gives us confidence that CARE has the required expertise and capabilities to complete this program according to schedule and before the end of the Mitch program.

USAID/Nicaragua is providing close follow-up of this project to assure quality standards are met and the project will be completed on schedule. USAID is providing constant field supervision from the cognizant technical officer, a qualified-experienced US civil engineer, and the Mitch program coordinator.

USAID/Nicaragua staff and evaluators that visited these activities, agree that the CARE “cash for work” road rehabilitation program is being well implemented. USAID requires that quality standards be met to assure road durability for several years and insists that adequate maintenance procedures are developed by participating communities.

We request that the recommendation be considered resolved and closed.

Recommendation 3.2: Require CARE to provide Global Positioning System (GPS) mapping of all previously completed, present and future road project sites to provide an independent verifiable record of all roads constructed.

USAID/Nicaragua agrees with the audit report that the GPS mapping would provide an independent verifiable record of all roads constructed. In order to close this recommendation the following actions have been taken:

In compliance with the audit findings, USAID/Nicaragua has developed a Global Positioning System (GPS) mapping to provide an independent verifiable record of all roads reconstructed by CARE under the Mitch program. Currently, the Reconstruction Office has a complete file of all the roads completed by CARE. With these digital files USAID/Nicaragua has fully complied with the above-mentioned recommendation.

The Global Positioning System is a rather new innovative way of accurately positioning sites in digital maps. USAID/Nicaragua adopted this system as a “best practice” procedure to further strengthen the monitoring and evaluation of this segment of the Mitch program.

We request that the recommendation be considered resolved and closed.

Recommendation Number 4: We recommend that USAID/Nicaragua complete its performance monitoring plan (PMP) for the Hurricane Mitch activities, to include a system (schedule) to track all field visits made by staff member, location, and type of activity.

The Mission agrees with the need to complete a P.M.P. and to ensure the field visits are integrated into this plan.

The Mission has completed a Performance Monitoring Plan consistent with the requirements of ADS 200, and is addressing each of the four elements in the draft audit report. CTOs assure that quality standards are met and implementation activity is results-oriented. Indicator tables are prepared to track project performances. The CTOs generally prepare monthly schedules for site visits. These schedules are used as guides and are frequently modified to prioritize their time based on unforeseen demands from the Mission or AID/Washington. Site visits undertaken by the CTOs to ensure implementation and quality of completion is in accordance with objectives. Although the Mission solution to the problem differs from the recommended solution (establish a Mission-wide system to track all field visits by staff member, location, and type of activity, the Mission solution was determined to be satisfactory by a second team of RIG auditors examining another facet of the Mission Mitch Reconstruction Program.

The Mission believes that the objectives of this recommendation are being met and we request that the recommendation be considered resolved and closed.

Recommendation No. 5: We recommend that USAID/Nicaragua perform data reliability assessments of the performance tracking systems and information reported by each of the implementing partners.

USAID/Nicaragua agrees with the terms of recommendation # 5 and in order to close it, the following actions have been taken:

USAID/Nicaragua has prepared a Mission Performance Monitoring Plan to guide the Cognizant Technical Officers (CTOs) in assuring that quality standards are met and that implementation activity is results-focused. Indicator tables were prepared to track project performance. The tables describe in detail the expected results and intermediate results to adequately measure progress. To the maximum extent practical, qualitative generic intermediate results were jointly established with the partners. While the implementing entities are required to report on progress or lack of it, in their quarterly reports, it is the responsibility of the CTOs to test and verify the accuracy of this information during field visits. Responses to all quarterly reports are prepared and include comments on the reliability of the information contained in the reports in addition to the CTOs personal observations obtained from field trips. Mission responses include comments pertaining to progress towards meeting results and the effectiveness in complying with established indicators. When deficiencies are observed, either in the quarterly reports or from site visits, Mission written responses offer suggestions to strengthen implementation procedures in order to resolve concerns which if ignored could become serious issues. In addition to providing comments on quarterly reports site visit reports are prepared and distributed within the Mission. Since these reports are for internal use they are not distributed to the partners but rather the contents of the reports are discussed with appropriate partner staff at both the central and regional level. While the CTOs generally prepare monthly schedules for site visits, these schedules are used as a guide and are frequently modified to prioritize one's time based on unforeseen demands for information from within the Mission or USAID/Washington.

The indicator tables mentioned above specify the source, method and responsibility for data collection and specifies the office, team or individual.

The quality assessment procedures used to verify and validate performance are site visits by the CTOs, the Reconstruction Office, and other USG agencies (USDA, Army Corps of Engineers, and NOAA).

Expanded Intermediate Result SO meetings are generally held on a monthly basis with our partners to discuss implementation issues and concerns. The usefulness and of the indicators frequently is a discussion topic. Additionally, workshops are held for specific topics such as road and infrastructure activity to ensure that quality standards are complied with, during activity construction.

Finally USAID funded an independent analysis of performance by a team fielded by Chemonics an U.S. contractor.

In our opinion the Mission has established the procedures to adequately perform data reliability assessments of the performance tracking systems and to perform reality checks

on the information reported by our partners. Therefore, we request that this recommendation be considered resolved and closed.

Planned Versus Actual Outputs for USAID/Nicaragua's Agricultural Activities

Outputs	Gender	Planned through 9/30/00	Actual through 9/30/00	Percent of Completion	On Schedule?
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CARE

No. of farmers and micro-entrepreneurs who received benefits from USAID reconstruction assistance.	Male	9,033	10,778	119%	Yes
	Female	2,258	2,696	119%	Yes
No. of individuals participating in food-for-work/cash-for-work programs.	Male	4,996	6,715	134%	Yes
	Female	1,241	2,031	164%	Yes
Kilometers of farm-to-market roads rehabilitated.		450	321	71%	No
Kilometers of additional farm-to-market roads opened up due to rehabilitation efforts		673	565	84%	Yes
No. of communities benefiting from the repair of farm-to-market roads		218	220	101%	Yes
No. of households benefiting from the repair of farm-to-market roads		11,291	13,142	116%	Yes

Cooperative League of the USA

No. of farmers and micro-entrepreneurs who received benefits from USAID reconstruction assistance.	Male	6,400	5,565	87%	Yes
	Female	1,600	1,391	87%	Yes
No. of farmers adopting soil conservation and sustainable agricultural production practices	Male	4,800	3,844	80%	Yes
	Female	1,200	1,148	96%	Yes
No. of small producers assisted with USAID-financed credit	Male	1,600	899	56%	No
	Female	400	197	49%	No
Surface area of watersheds (in hectares) protected by stabilization investments		1,200	800	67%	No

Chemonics

No. of farmers and micro-entrepreneurs who received benefits from USAID reconstruction assistance.		10,746	13,474	125%	Yes
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Catholic Relief Services

No. of farmers and micro-entrepreneurs who received benefits from USAID reconstruction assistance.	Male	6,416	12,750	199%	Yes
	Female	6,224	6,224	100%	Yes
No. of farmers adopting environmentally sustainable agricultural practices.	Male	4,158	8,698	209%	Yes
	Female	1,385	2,724	197%	Yes
No. of small producers assisted with USAID-financed credit	Male	2,258	4,052	179%	Yes
	Female	5,239	3,500	67%	No
No. of loans disbursed to agricultural producers	Male	3,565	6,320	177%	Yes
	Female	9,194	5,374	58%	No
Dollar value of loans disbursed to agricultural producers	Male	\$625,889	\$963,474	154%	Yes
	Female	\$1,460,407	\$818,112	56%	No

World Relief Corporation

No. of farmers and micro-entrepreneurs who received benefits from USAID reconstruction assistance.	Male	2,692	3,315	123%	Yes
	Female	1,058	1,168	110%	Yes
No. of farmers adopting environmentally sustainable agricultural practices.	Male	1,192	1,746	146%	Yes
	Female	279	435	156%	Yes
Surface area of land reformed or rehabilitated (in manzanas)		100	127	127%	Yes
Kilometers of farm-to-market roads rehabilitated		18	11	61%	No
No. of households benefiting from the repair of farm-to-market roads.	Male	170	140	82%	Yes
	Female	40	40	100%	Yes
No. of small producers assisted with USAID-financed credit	Male	1,500	2,535	169%	Yes

Appendix III

	Female	500	334	67%	No
No. of loans disbursed to agricultural producers	Male	2,550	2,782	109%	Yes
	Female	450	287	64%	No
Dollar value of loans disbursed to agricultural producers	Male	\$511,631	\$484,649	95%	Yes
	Female	\$44,489	\$54,649	123%	Yes