

Hurricanes Mitch & Georges: From Relief to Reconstruction

The United States' Response



U.S. Agency for International Development

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U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

The Administrator

Dear Friend:

I am pleased to share with you this report on the U.S. response to Hurricane Mitch and Hurricane Georges.

These two hurricanes resulted in the worst natural disaster ever to strike the Western Hemisphere. They caused the deaths of more than 9,000 people, left millions homeless, and resulted in more than \$8.5 billion in damages to homes, hospitals, schools, roads, farms and businesses throughout the region. Responding immediately to the disasters, the U. S. Agency for International Development (USAID), in cooperation with the U.S. Department of Agriculture and the Department of Defense, provided more than \$300 million in humanitarian relief aid to millions of people in the form of food, medicine, emergency shelter, and agricultural assistance.

The centerpiece of the U.S. response was the Central American and Caribbean Emergency Disaster Recovery Fund (CACEDRF), which contained a total of \$621 million in reconstruction assistance. Congress passed this legislation in May 1999, recognizing that full recovery of the region from the storms is clearly in the U.S. national interest.

This report reviews the relief and reconstruction efforts and details USAID's and U.S. government partner agencies' reconstruction efforts to date. Over the past decade, tremendous strides have been made toward settling conflicts, strengthening democracy, promoting human rights, opening economies, and alleviating poverty. The economic disruption and dislocation caused by the hurricanes threaten to undermine these achievements. Echoing the views of many Central Americans, we view the reconstruction process as more than just the chance to replace what was there before, but an opportunity to "build back better." In so doing, we can assist the people of these nations as they return to the path of sustainable development and economic prosperity.

Sincerely,

J. Brady Anderson

EXECUTIVE SUMMARY

The two hurricanes that devastated the Caribbean and Central America in late 1998 were a setback to the people and to the economies of several nations. In a week's time, decades of development progress were lost as roads, bridges, schools, health clinics, crops, and livestock were destroyed. In Central America, the U.S. Army Corps of Engineers estimated the damage at \$8.5 billion for the region.

USAID's Office of U.S. Foreign Disaster Assistance (OFDA) responded immediately with relief supplies and assistance along with the direct support of the U.S. Department of Defense and the provision of food aid from the U.S. Department of Agriculture. Following on the heels of the relief efforts, USAID reprogrammed funds and began the enormous task of assessing damage and rehabilitating critical services.

In May 1999, Congress passed the Emergency Supplemental Appropriations Act, creating the Central American and Caribbean Emergency Disaster Recovery Fund (CACEDRF), which contained a total of \$621 million in reconstruction assistance. The U.S. Agency for International Development (USAID) and over a dozen other federal agencies are now involved in the reconstruction of the region. All Americans can be proud of this effort, which saved countless lives and prevented the outbreak of disease and hunger.

This report provides information on the immediate relief and reconstruction efforts undertaken by USAID and its U.S. government partner agencies. Many of the activities initiated during the relief phase have been expanded with the help of supplemental funding and are highlighted here. In addition, special attention has been paid to ensuring the accountability of all reconstruction assistance. Additional safeguards have been designed to make sure that these funds are used appropriately.

The United States has joined an impressive array of bilateral and multilateral donors in responding to the challenge of reconstruction. The involvement of many countries along with the international financial institutions makes close donor coordination essential, and again, new mechanisms have been devised to ensure follow-up by host country governments and donors alike, to avoid duplication and to make the best use of funds provided.

Finally, under the direction of the White House and the Office of Management and Budget (OMB), USAID has established close working relationships with more than a dozen U.S. government agencies that are providing specialized reconstruction assistance. Of the \$621 million appropriated by CACEDRF, \$112 million has been transferred to other U.S. government agencies working in concert with USAID.

Relief to Reconstruction

Hurricane Mitch and Hurricane Georges were among the most severe and powerful storms ever to hit Central America and the Caribbean in the history of the hemisphere. Hurricane Mitch, carrying 180-mph winds at its height on October 26 and 27, 1998, produced massive flooding and destruction, engulfing entire villages and

destroying homes, crops and infrastructure. The face of these countries was permanently changed by the devastation.

The human and economic toll exacted by Mitch was staggering. More than 9,000 people were killed, 13,000 injured, and 3 million displaced. In one single, tragic mudslide in Posoltega, Nicaragua, 2,000 people perished. Hundreds of bridges, thousands of schools, clinics and kilometers of roadway were destroyed or damaged. There were also severe losses to rice, corn, beans, coffee and banana crops, the basic economic mainstay of thousands of poor farmers and consumers. Direct and indirect damages from the storm were estimated at more than \$8.5 billion in Honduras, Nicaragua, Guatemala and El Salvador, with \$3.4 billion in Honduras alone.

From September 20-22, 1998, Hurricane Georges swept through the Caribbean, leaving death and devastation in its wake. Damage to the countries of the Caribbean from Hurricane Georges exceeded \$1.7 billion, with the Dominican Republic bearing the brunt of the disaster. Housing, in particular, was devastated, with over 48,000 people requiring new homes and an additional 122,000 homes requiring repair.

In both cases, from the very first moments of the storms, personnel from OFDA were on the ground providing damage assessments. In response to Mitch, the U.S. mounted one of the largest international emergency relief responses to a natural disaster in U.S. history. In addition, nearly two dozen countries and a dozen international organizations were involved. USAID, the U.S. Department of Agriculture the U.S. military and others provided over \$300 million in critical assistance in the space of a few months. Water, food, medicines, shelter, blankets and supplies were delivered to millions of victims of the storms' wrath.

U.S. military personnel, who eventually were to number 5,000, rescued more than 1,000 people, cleared roadways and provided emergency repairs to bridges, roads and schools. The food airlift surpassed the comparable period of the Berlin Airlift

What Is CACEDRF?

Congress passed the Emergency Supplemental Appropriations Act of 1999 (Public Law 106-31), which appropriated \$621 million for a Central America and Caribbean Emergency Disaster Recovery Fund, or CACEDRF.

Central America

Costa Rica	\$ 5.0 million
El Salvador	\$22.1 million
Guatemala	\$25.0 million
Honduras	\$291.0 million
Nicaragua.....	\$94.1 million

Caribbean

Eastern Caribbean	\$ 3.0 million
Dominican Republic	\$29.0 million
Haiti.....	\$ 9.8 million

USAID USG Partners.....	\$112.0 million
USAID Regional Activities	\$12.5 million
Office of the Inspector General	\$ 1.5 million
General Accounting Office (GAO).....	\$.5 million
Operating Expenses.....	\$5.5 million

Colombia Earthquake.....	\$10.0 million
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TOTAL\$621.0 million

and became the largest airlift of food from the continental U.S. in history, delivering 84 million pounds of commodities by December 31, 1998.

USAID provided over \$30 million, which included immediate relief and disaster assistance to repair community water and sanitation systems. Networks of non-governmental organizations (NGOs) were mobilized to distribute food, construct temporary housing, open farm-to-market roads and distribute tools and implements to replant lost crops. Despite the hazardous conditions, major epidemics were avoided. As life-threatening needs were met, the priority shifted to helping people return to their normal routines, getting schools and public programs back into operation, giving access to homes, farms, markets and communities. During this phase, USAID provided \$120 million in reprogrammed financing to make this transition possible.

In the face of the huge recovery and reconstruction job that would be required, the Clinton administration assembled a White House Task Force to manage the crisis. President Clinton, first lady Hillary Clinton, Tipper Gore, and numerous congressional delegations traveled to the region to directly inspect the damage and pledge support for the major task that lay ahead. The president enlisted the entire Cabinet to participate in the response and directed a comprehensive approach that included reconstruction assistance, enhanced trade legislation, debt relief and immigration.

By early 1999, USAID missions had taken the lead in defining specific damage estimates and reconstruction requirements with other donors and host government agencies. Other U.S. government agencies, like the U.S. Army Corps of Engineers and the U.S. Geological Survey among others, made assessment visits to the affected countries. Extensive planning efforts were undertaken in each country to begin the process of reconstruction.

On February 16, 1999, the administration announced the request of \$956 million in supplemental FY 1999 funds for the Central American countries affected by Hurricane Mitch as well as the Caribbean countries hit by Hurricane Georges in September 1998. This vital assistance was approved by Congress on May 21, 1999. It included \$280 million to repay accounts that were used to fund the emergency relief effort and \$621 million in grant funding for CACEDRF. Principal foci of the reconstruction assistance are the restoration of national health care delivery systems,

STOCKHOLM DECLARATION

Reduce the social and ecological vulnerability of the region, as the overriding goal.

Reconstruct and transform Central America on the basis of an integrated approach of transparency and good governance.

Consolidate democracy and good governance, reinforcing the process of decentralization of governmental functions and powers, with the active participation of civil society.

Promote respect for human rights as a permanent objective. The promotion of equality between women and men, the rights of children, of ethnic groups and other minorities should be given special attention.

Coordinate donor efforts, guided by priorities set by the recipient countries.

Intensify efforts to reduce the external debt burden of the countries of the region.

community water and sanitation, and economic reactivation through rebuilding farm-to-market roads, and re-establishment of agricultural production. The replacement of lost housing and shelter, rehabilitation and resupply of damaged schools, disaster mitigation and watershed restoration, as well as support for local governments, are also critical priorities. More than \$110 million of the fund is being implemented with other U.S. agencies such as the departments of Agriculture, Commerce, Health and Human Services, Housing and Urban Development, Interior, Energy, Transportation, the Peace Corps, U.S. Army Corps of Engineers, Export-Import Bank, Federal Emergency Management Agency and the Overseas Private Investment Corporation.

The Consultative Group

Following passage of the supplemental appropriation, the U.S. government joined over 50 other donor nations and international organizations and financial institutions at the Consultative Group meeting in Stockholm, Sweden, May 25-28, 1999.

Promoting Greater Accountability in Honduras

The USAID mission in Honduras developed additional levels of oversight for its programs implementing reconstruction activities with Government of Honduras counterparts. In programs with Honduran Social Investment Fund (FHIS), the Sanitation and Water Authority (SANAA,) the Ministry of Health (MOH), and the Ministry of Education (MOE), USAID created Concurrent Audit Teams (CATs) to review 100 percent of transactions undertaken with CACEDRF funds. In most cases, these CATs include engineers or other technical personnel who can provide a technical perspective in reviewing transactions. For SANAA, the MOH, and MOE, the same firm performing the CAT function will also manage actual disbursements on the basis of this review and funds will generally be disbursed only on a reimbursement basis. The internal financial reviews carried out by the CATs are in addition to USAID's regular recipient audit program and the audit program developed by the USAID Regional Inspector General.

The countries of Central America formally presented their reconstruction plans while donor countries and the international financial institutions made pledges of support. In addition, the U.S. delegation worked closely with other donors and the host countries' governments to establish a set of guiding principles that were included in the final communiqué of the Consultative Group and is known as the Stockholm Declaration.

Key aspects of the Stockholm Declaration had already been established in USAID's own approach to the reconstruction process. First, all construction work needs to follow sensible land use practices; environmental and disaster risk will determine what is built, where and how. Second, activities need to address the equity issues of the poorest, elderly and indigenous who suffered the most from the hurricane. Third, wherever possible, implementation relies upon

the cooperative forces and dynamism of local government and civil society. And, finally, all participating in the reconstruction will make a strong and full commitment to transparency and accountability in the use of funds.

The Consultative Group also identified a Group of Five (G-5) donors that would initiate discussions with the governments in each country on how best to follow up on these commitments and to monitor the reconstruction process. The G-5 includes

Canada, Germany, Spain, Sweden and the United States. In each country, this donor group expanded to include other interested donors to maximize efforts to avoid duplication and to strive to speak with one voice on policy issues of concern to the international community.

Accountability

From the outset of the reconstruction effort, there has been no greater concern than with the issue of accountability of the uses of reconstruction assistance. In a region that has been plagued with a sad history of misuse of past assistance rendered in the wake of natural disasters, leaders from the region immediately recognized the need for a break with this legacy.

The approach to enhancing safeguards works at multiple levels. First, USAID continues with its standard legislative and regulatory controls over the use of U.S. funds. Second, USAID missions in Honduras and Nicaragua support the Office of the Comptroller General, which is responsible for auditing the expenditures of host country ministries and other institutions working on reconstruction. Third, these two missions have also worked to design new programs that would strengthen host country accountability efforts by improving their procurement systems, providing training and improving their ability to audit and inspect reconstruction activities, whether those activities used donor funds or were funded by their own budget. Finally, in the CACEDRF legislation, Congress included funding for the USAID Inspector General and for the General Accounting Office (GAO) to conduct audits and oversee the implementation of the reconstruction program.

Country Programs and Highlights

The impact of Hurricane Georges and Hurricane Mitch differed from country to country and the reconstruction program was designed to respond to the critical needs that the U.S. Government is best suited to address. USAID and other USG agencies, in consultation with host country leaders, representatives of local governments, civil society, the private sector and other donors, established priorities and identified specific activities in an overall reconstruction strategy. Country Reports that follow provide highlights on accomplishments to date.

Following passage of the supplemental appropriations legislation, USAID notified Congress of its intention to obligate funds with host country governments and other implementing institutions in each country. USAID notified Congress of all agreements with other USG agencies to carry out reconstruction activities with CACEDRF resources. All the required notifications and most obligations were completed by September 30, 1999.

USAID missions are currently completing grants and contracts with implementing partners. In many cases, reconstruction activities have already commenced or continue activities that have been funded with reprogrammed resources. The total amount of obligations, grants and contracts and expenditures is shown below.

An Explanation of Assistance Accounts

Foreign aid appropriations are made available through several established accounts. Congress provided the bulk of reconstruction assistance when it created

the new account called the Central America and Caribbean Emergency Disaster Recovery Fund (CACEDRF).

Prior to passage of the supplemental, USAID used other available funding to meet the most pressing needs following the hurricanes. Those accounts included international disaster assistance funds from which OFDA and the Office of Transition Initiatives (OTI) provided funds for hurricane relief and reconstruction activities. Emergency food aid, supplied by the U.S. Department of Agriculture and managed by USAID, was also a critical component of the effort. Finally, funding from USAID's ongoing activities, which is appropriated on an annual basis through the Development Assistance (DA) and Child Survival (CS) accounts, was reprogrammed to meet urgent needs.

**Hurricane Relief and Reconstruction
Mitch and Georges**

RELIEF	Through 12/31/99		
	OBLIGATIONS	EXPENDITURES	
OFDA FUNDS	26,384,304	22,742,889	
OTI FUNDS	4,635,992	1,295,419	
DA & CS REPROGRAMMED	48,420,000	18,228,211	
EMERGENCY FOOD AID	70,072,600	69,302,000	
MONETIZED FOOD AID	20,000,000	2,011,700	
TOTAL	169,512,896	113,580,219	

RECONSTRUCTION	OBLIGATIONS	CONTRACTS & GRANTS	
		EXPENDITURES	
CACEDRF-MISSIONS	448,338,000	337,238,681	10,135,942
CACEDRF-OTHER USG 632(b)	31,130,000	-	2,926,769
CACEDRF-OTHER USG 632(a)	10,595,693	-	3,995,530
CACEDRF-REGIONAL	500,000	500,000	-
CACEDRF-OPERATING EXPENSES	1,949,579	-	1,165,734
CHILD SURVIVAL SUPPLEMENTAL	28,700,000	-	4,735,228
TOTAL	521,213,272	337,738,681	22,959,203

GRAND TOTAL	690,726,168	337,738,681	136,539,422
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