

# SPECIAL REPORTS

## CENTRAL AMERICAN EMERGENCY RECOVERY PROGRAM FOLLOWING HURRICANE MITCH

In late October and early November 1998, Hurricane Mitch did extensive damage to many areas of Central America. The hurricane's ferocious winds and torrential rain, along with the floods, landslides and flows of debris that it triggered, killed many thousands, left millions homeless, and devastated vast agricultural areas throughout Nicaragua, Honduras, El Salvador and Guatemala. The ICDF promptly put together emergency recovery assistance programs to address the needs of its friends in the region.

Following an assessment performed by experts commissioned by it, the ICDF gave 25-year loans of US\$6 million each, at a nominal interest rate of 2 percent, to Nicaragua and Honduras, with the foreign ministry of the ROC agreeing to absorb the interest on the loan for the first five years. In view of the lighter damage in those countries, El Salvador and Guatemala were granted 25-year loans of US\$4 million each, at the same interest rate.

### Housing and Rehabilitation Program for Small Farmers in Nicaragua

Mudflows in northern Nicaragua triggered by Hurricane Mitch engulfed 10 villages, destroyed an estimated 20,000 homes and devastated the lives of nearly 370,000 rural residents. The agricultural sector was dealt a particularly severe blow.

Nine hundred and fifty-one of the most severely affected households will be given assistance through the Organization of American States (OAS). Half of the ICDF's US\$6 million loan to Nicaragua will be used to rebuild 1,000 homes at a cost of approximately US\$2,100 apiece. The goal is not only to rebuild houses and villages, but also to mobilize local manpower and resources, pool the strength of local communities, and engage residents in rebuilding their homes. This strategy, it is hoped, will provide positive psychological benefits as well as jobs.

It is estimated that US\$23 million will be needed to restore the agricultural areas alone in Nicaragua. In order to help farming households to replant their fields with maize and beans, the Nicaraguan Ministry of Agriculture and the Nicaraguan Agricultural Technology Association are providing technical assistance, together with grain supplied by the World Grain Project (PMA), to the areas with the highest concentration of poor farmers. The second half of the ICDF loan, US\$3 million, will be used to resettle affected farmers and assist them in rebuilding the farming infrastructure, by providing capital, raw materials, tools and technical assistance.

## Housing Reconstruction Program in Honduras

Honduras was hit harder by Hurricane Mitch than any other Central American country, and roughly 70 percent of its grain, coffee and banana crops were destroyed. The country sustained approximately US\$3.6 billion worth of damage, with the result that more than two million people had to be evacuated from disaster areas and 420,000 residents had to be housed in emergency shelters. Nearly 50,000 homes required repairs and more than 30,000 homes needed to be totally rebuilt.

Because of the urgency of the rebuilding work, the Honduran government requested that the OAS assist the Honduran Ministry of Public Construction, Transportation and Housing to carry out the house reconstruction project. The OAS will mobilize local labor, technical personnel and building materials, and supervise the construction work, while the local government will assume the administrative duties connected with the project.

The beneficiaries of the ICDF loan—approximately one tenth of all households severely affected by the hurricane—will be residents who have been selected by community welfare organizations, with priority given to those living in shelters or with friends or relatives. The Honduran government plans to build more than 2,000 houses (600 40-sq-m structures near the nation's capital city and 1,400 24-sq-m houses in rural areas) for people in the six hardest hit provinces. The houses will be built of sturdy brick and cement, with cement floors and galvanized iron roofs, and will be equipped with stoves and common toilet facilities.

## Housing Reconstruction Program in El Salvador

The parts of El Salvador most damaged by the hurricane were mainly in the eastern provinces of San Miguel, Usulután, La Unión, La Paz and San Vicente. Government statistics indicate that 242 people died as a result of the hurricane, approximately 84,000 were injured or displaced, and damage estimated at 1.16 billion Salvadorean colons (approximately US\$133 million at a rate of colon 8.7: US\$1) was done to agricultural infrastructure.

The rebuilding of more than 10,000 homes, undertaken by the Vice Ministry of Housing under the Ministry of Public Construction, will cost more than US\$6.7 million. The government will contribute US\$1.7 million of this amount in the form of land, labor and food, while the ICDF will provide a US\$4 million loan for construction-related expenses. Fourteen hundred 28-sq-m houses will be built, with priority given to households that must move away from hazardous areas, followed by families whose homes were completely destroyed, and finally by those whose homes were only partially destroyed.

El Salvador's Ministry of Finance will transfer the ICDF loan to the Vice Ministry of Housing, which will carry out the construction plan and supervise its implementation. The government will donate the new houses to the families most severely hurt by the disaster. However, provincial and municipal governments must negotiate with the Vice Ministry of Housing concerning the transfer of land ownership to stricken residents.

## Infrastructure Rebuilding and Development Program for the Rio Polochic Region of Guatemala

Guatemala also sustained severe economic damage as a result of the hurricane. More than 110,000 persons were severely affected, and three quarters of a million suffered milder effects. After an assessment of the situation and following negotiations with the Guatemalan government, the ICDF proposed a US\$4 million loan to be used for rebuilding and developing infrastructure in the Rio Polochic region.

The Rio Polochic region is located to the north of the Guatemalan capital. A poor region, it has been frequently assaulted by earthquakes, and was severely damaged by the hurricane. The Guatemalan government plans to use foreign aid to carry out rebuilding work in the four most severely damaged cities: Tamahu, Tucuru, Senahu and Panzos. The government also hopes that, as part of the same program, it will be able to improve the region's infrastructure and standard of living. The construction work is estimated to cost US\$4.8 million.

Specific projects to be funded by the ICDF's emergency recovery loan of US\$4 million for the Rio Polochic region include:

1. The construction of five health centers or medical posts, equipped with stretchers, diagnostic tools, medicine storage units and basic medical equipment. The Guatemalan Ministry of Health will assist in this.
2. The construction of 31 schools of approximately 158 square meters each, with an average of two classrooms and equipped with chairs, desks, blackboards, bookshelves and instructional equipment. The Guatemalan Ministry of Education will assist with this project and arrange for the assignment of teachers.
3. The building of sanitation and water systems that will carry potable water directly to houses or community faucets. Twenty-six water collection, distribution and purification systems and networks are to be constructed.
4. The rebuilding of suspension, pedestrian and vehicular bridges. The Guatemalan Ministry of Transportation plans to construct 23 bridges with a width of about 1.8 meters, four concrete vehicle bridges measuring 5–10 meters, and four narrower concrete pedestrian bridges.

These projects will benefit 126,298 persons directly and 260,000 persons indirectly. The Guatemalan social investment fund (Fondo de Inversion Social, or FIS), which reports directly to the president, will be responsible for the implementation of the program. The FIS will hire private construction companies and NGOs to perform the actual construction work and FIS personnel stationed in the affected provinces will be responsible for both directing and supervising construction.

**Table 7: Summary of ICDF Assistance Following Hurricane Mitch  
Nicaragua, Honduras**

ICDF Program	Nicaragua	Honduras
<i>Loan Amount Preferential Loan Conditions</i>	US\$6 million Term: 25 years Grace period: 5 years Interest rate: 2% No commitment fee Interest for first 5 years to be paid by MOFA	US\$6 million Term: 25 years Grace period: 5 years Interest rate: 2% No commitment fee Interest for first 5 years to be paid by MOFA
<i>Appropriation Method</i>	Loan funds to be disbursed in two appropriations: US\$3 million after Nicaragua has prepared documentation (including loan contract approved by the National Assembly), balance after Nicaragua has secured other funds and confirmed use of funds for the agricultural restoration program. Government applied for first appropriation in mid-April 1999 and ICDF has released the US\$6 million.	After Honduran National Assembly has approved loan contract and completed signing procedures, Honduras must sign implementation contract with OAS—following which ICDF loan of US\$6 million to be appropriated. OAS personnel currently negotiating content of contract with Honduran government.
<i>Content of Recovery Program</i>	(1) US\$3 million of ICDF loan for construction of homes, at estimated cost of US\$2,100 each. (2) US\$3 million for agricultural reconstruction, to help disaster-stricken poor farmers to replant fields. Six elements: (i) resettlement of farmers who lost their land (government to provide free land); (ii) rebuilding of damaged productive infrastructure; (iii) loans to farmers for seeds, fertilizer, etc.; (iv) loans for production materials; (v) donations of basic farming implements; (vi) provision of necessary technical assistance.	ICDF's loan of US\$6 million will help people rebuild their homes in hardest hit areas. Government will rebuild more than 2,000 homes in six affected provinces and give them to the poor, at an estimated cost of US\$100 per square meter (including labor). Plan is to build 600 40-sq-m houses near the capital and 1,400 24-sq-m houses in rural areas. Beneficiaries to be selected by local social welfare organizations, based on most urgent need.
<i>Implementing Organization</i>	OAS commissioned to assist in home rebuilding program. Agricultural recovery program to be implemented by Nicaraguan Department of Agriculture.	Honduran Ministry of Public Construction, Transportation and Housing has commissioned OAS to assist with home rebuilding program.
<i>Geographical Scope of Recovery Program</i>	(1) Severely affected areas, including Wilwili and Waslala provinces in central and northern Nicaragua; (2) areas with concentrations of the poorest small farmers.	Cities most severely affected: Cortes, Morazan, Francisco, Comayagua, Choluteca, Colon and Yoro. Work to begin in Tegucigalpa and proceed south and north. Local governments to provide land for construction.

**Table 7: Summary of ICDF Assistance Following Hurricane Mitch  
El Salvador, Guatemala**

ICDF Program	El Salvador	Guatemala
<i>Loan Amount Preferential Loan Conditions</i>	US\$4 million Term: 25 years Grace period: 5 years Interest rate: 2% No commitment fee	US\$4 million Term: 25 years Grace period: 5 years Interest rate: 2% No commitment fee
<i>Appropriation Method</i>	First appropriation of US\$1 million, to be used only for the purpose of the loan. Second appropriation may be applied for after US\$800,000 of the funds has been used and expense documentation submitted. Each appropriation shall be for US\$1 million.	First appropriation of US\$1 million, to be used only for the purpose of the loan. Second appropriation may be applied for after US\$750,000 of the funds has been used and expense documentation submitted. Each appropriation shall be for US\$1 million.
<i>Content of Recovery Program</i>	Hurricane Mitch totally destroyed approximately 10,370 homes in El Salvador. ICDF contribution intended to assist El Salvador in rebuilding homes for most severely affected citizens. First priority to be given to households in currently hazardous areas, then to those whose homes were completely or partially destroyed.	Among types of infrastructure to be rebuilt in severely affected Rio Polochic region: medical stations/health posts and purchase of medical equipment; 31 schools with average of two classrooms each, including equipment and teaching materials; sanitation and drinking water systems, including 26 water supply and purification systems and networks; suspension, pedestrian and vehicular bridges, including 23 bridges with a width of roughly 1.8 meters and 4 vehicular bridges with width of 5-10 meters.
<i>Implementing Organization</i>	Vice Ministry of Housing of Salvadorean Ministry of Public Construction.	Guatemalan Social Investment Fund (Fondo de Inversion Social, AFIS) approved by Segeplan (economic development commission) as official implementing unit.
<i>Geographical Scope of Recovery Program</i>	Five of hardest hit provinces: San Miguel, Usulután, La Unión, La Paz and San Vicente	Four cities in hardest hit Rio Polochic region: Tamahu, Tucuru, Senahu and Panzos