



IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Executive Board — Sixty-Fifth Session

Rome, 2-3 December 1998

**IFAD'S RESPONSE TO THE CONSEQUENCES OF HURRICANE MITCH
IN CENTRAL AMERICA**

Hurricane Mitch devastated Honduras, Nicaragua, and the rest of Central America to a greater extent than all the civil wars of the 1980s. Some observers believe that the two countries may have lost a generation or more of economic progress. It has been estimated that the damage caused by Mitch to the economic and social infrastructures of Honduras and Nicaragua, and to a lesser degree to those of Guatemala and El Salvador, amount to approximately USD 2.0-2.5 billion.

The hurricane hit at a very crucial time for many of the field-level beneficiaries of IFAD-financed projects because December is the harvest time in Central America, especially for important food crops such as beans and corn, not to mention coffee, which is an important cash crop for smallholders and a generator of the countries' foreign currency. They have lost not only this year's agricultural production but many farmers and smallholders have also lost the productive inputs, such as seeds and tools, that would have been used in the agricultural campaign starting in early 1999.

IFAD'S IMMEDIATE RESPONSE

From the outset of Mitch in late October 1998, the Latin America and the Caribbean Division (PL) has been in constant communication with all ongoing IFAD projects in the subregion with a view to assessing and coordinating assistance to the rural populations affected by the hurricane. PL has also established close contacts with the IFAD-supported Regional Unit for Technical Assistance (RUTA), the subregional programme based in Costa Rica. In the most badly affected countries, RUTA is coordinating assistance to the governments for their rehabilitation/reconstruction programmes. The staff of IFAD's projects have been providing support to local and national emergency committees and are now making detailed assessments of the damage in the municipalities where they operate.

In communications with our counterparts in the countries involved in the emergency, we have indicated that all projects in the subregion should consider implementing rehabilitation plans of action that will assist in agricultural reactivation, provide labour, and improve the management of the natural resources vital to the rural communities and our target population. Necessary adjustments to



annual workplans and budgets for 1999 and to loan agreements will need to be given flexible consideration by IFAD so as allow for a rapid and effective material response.

On 20 November 1998, IFAD's Vice-President received the Ambassador of Ecuador in his capacity of Chairperson of the Group of Latin American and the Caribbean countries (GRULAC), based in Rome. The Ambassador accompanied a delegation of representatives of the Embassies of El Salvador, Guatemala, Honduras and Nicaragua. During the meeting, IFAD's response and planned support to the affected countries was discussed.

COORDINATED RECONSTRUCTION EFFORTS

With a view to arriving at a coordinated effort to assist the Central American governments in their recovery plans, the Inter-American Development Bank is organizing a Consultative Group meeting in Washington, DC on 10 and 11 December. At this meeting, the Governments of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua will submit reports on damages to infrastructure and production capacity and profiles of investment project proposals. It is expected that the donor community will pledge initial resources to finance such proposals. A more elaborated reconstruction plan will be presented during a follow-up meeting to be hosted by the Swedish Government in Stockholm during the Spring of 1999.

IFAD will participate in the Consultative Group meeting and present its planned lending programme for 1999 in the Central American region. This firm lending programme includes projects for El Salvador, Guatemala and Nicaragua and a new project for Honduras in addition to that presented to the current Session of the Executive Board.

ONGOING PROJECTS AND PLANNED LENDING OPERATIONS, 1999

Honduras

As an immediate reaction to the devastating impact of Hurricane Mitch in Honduras, the President of IFAD approved the request of the Assistant President, Programme Management Department, to increase by USD 3.5 million (from USD 15.8 million to USD 19.0 million) the amount of IFAD's contribution to the financing of the Rural Development Project in the South-Western Region, submitted to the Executive Board at its Sixty-Fifth Session of December 1998. This project covers part of the affected areas of the south-west, with line intervention in the rehabilitation of small rural infrastructure (e.g., feeder roads, water supply, etc.).

In addition, the two ongoing projects in Honduras, the Agricultural Development Programme for the Western Region and the Rural Development Project in the Central-Eastern Region, were each authorized to approve the release of up to USD 100 000 in order to participate, through their community investments fund components, in municipal rehabilitation programmes within the project areas.

The Latin America and Caribbean Division and the Government of Honduras will be preparing a new project in 1999 for the purpose of assisting the central provinces of the country that are among the most badly hit by the hurricane.



Nicaragua

The two ongoing projects (Project for the Capitalization of Small Farmers in the Tropisec Area of the Segovias - Region I (TROPISEC) that covers Nueva Segovia, Madriz and Esteli Department; and the Rural Development Project for the Southern Pacific Dry Region (PROSESUR), that covers Rivas and Carazo Departments) are participating in the rehabilitation programmes in collaboration with the government authorities. With RUTA, they are also coordinating and preparing the AWPB for 1999 that will include specific rehabilitation interventions.

IFAD has authorized the management of the TROPISEC and PROSESUR projects to use an amount of USD 100 000 for emergency operations in the most badly affected rural communities of their project areas.

The Country Portfolio Manager for Nicaragua will be visiting the country in December 1998 for discussions with the Government on the elaboration of a new project for presentation to the Executive Board in 1999. This project may address the reconstruction needs of the most affected areas (Leon/Chinandega).

Guatemala

Hurricane Mitch devastated several areas of Guatemala. Two of the areas most badly hit correspond to areas covered by the IFAD-financed Development and Reconstruction Project of the Quiché, and to some areas of the Alta and Baja Verapaz Departments where an IFAD-initiated project is currently under formulation for presentation to the Executive Board in 1999.

FONAPAZ, the executing agency of the Quiché programme, has requested IFAD to make its procedures more flexible and to enlarge the social components and activities to be financed under eligible categories of the loan agreement.

IFAD's response was positive, and FONAPAZ will be sending a concrete plan of investments in the Quiché area for IFAD clearance. Regarding the new project under design, the FAO Investment Centre will take into consideration the damages caused to agriculture and social infrastructure and design the project accordingly in order that the IFAD-financed project will become the main governmental instrument for the reconstruction of peasant economies and the improvements of living conditions. The other ongoing IFAD project in the Cuchumatanes Highlands was not badly damaged by Hurricane Mitch.

El Salvador

The two ongoing projects (Rehabilitation and Development Project for War-Torn Areas in the Department of Chalatenango (PROCHALATE) and the Smallholders Agricultural Development Project in the Paracentral Region (PRODAP)) are actively coordinating activities with the respective Departmental authorities so as to assist in the rehabilitation process in the affected areas.

The Government is making every effort to meet the conditions for effectiveness of the newly-signed loan agreement for the Rural Development Project for the North-Eastern Region in order to start implementation as soon as possible. This project will be implemented in the areas most badly hit by Hurricane Mitch, namely, the Departments of Morazan and La Unión.

The Government has also requested IFAD to make the necessary arrangements to include the reconstruction of important infrastructure facilities around the Rio Lempa area in the PRODAP-II project proposal. The PRODAP-II project will be submitted to the Executive Board in April 1999.