



## 1. Project Data

**Project ID**  
P127088

**Project Name**  
NI Climate Adaptation and Water GEF

**Country**  
Nicaragua

**Practice Area(Lead)**  
Environment & Natural Resources

**L/C/TF Number(s)**  
TF-13410

**Closing Date (Original)**  
30-Jun-2018

**Total Project Cost (USD)**  
6,000,000.00

**Bank Approval Date**  
13-Nov-2012

**Closing Date (Actual)**  
30-Jun-2018

	<b>IBRD/IDA (USD)</b>	<b>Grants (USD)</b>
Original Commitment	6,000,000.00	6,000,000.00
Revised Commitment	6,000,000.00	6,000,000.00
Actual	6,000,000.00	6,000,000.00

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## 2. Project Objectives and Components

### a. Objectives

According to the Project Appraisal Document (PAD) (p. 5) and the Grant Agreement of December 4, 2012 (p. 6) the objective of the project was “to enhance climate resilience of investments made in Nicaragua’s rural water supply sector in order to cope with: (i) increasing climate variability; (ii) expected adverse impacts of climate change in selected areas.”

According to the project restructuring paper of May 27, 2016 (p.8) the objective of the project was revised “to pilot water resources protection and drinking water supply systems with an integrated and participatory approach in selected climate vulnerable communities in Nicaragua.”



**b. Were the project objectives/key associated outcome targets revised during implementation?**

Yes

**Did the Board approve the revised objectives/key associated outcome targets?**

Yes

**Date of Board Approval**

27-May-2016

**c. Will a split evaluation be undertaken?**

Yes

**d. Components**

The project included three components:

**Component 1: Pilot adaptation initiatives to enhance climate resilience in the selected municipalities (appraisal estimate US\$3.6 million, actual US\$3.6 million):** This component was to support the integrated adaptation projects to be implemented in four pilot municipalities (Juigalpa, Murra, San Ramon and San Juan de Limay). Furthermore, this component was to finance demand- and supply-side measures to enhance climate resilience and improve the efficiency of water use by: i) supporting water harvesting, water storage, rehabilitation and construction of additional wells and aqueducts and the associated household connections, and the development of alternative water sources in drought-prone areas; ii) introducing approaches to strengthen the efficiency of water use and reduce climate vulnerability of drinking water supplies; and iii) investment in climate-resilient sanitation solutions (improved traditional latrines better adapted to climate extremes in areas where increased climate stress exacerbates pollution of water sources by latrines). Also, this component was to finance the protection of water sources and the use of economic instruments to strengthen water supplies' resilience to climate variability and change. Activities were to support the strengthening of the implementation of watershed and water source protection measures by enhancing the resilience of water sources to climate change.

**Component 2: Coast wetland protection and reduction of vulnerability to sea level rise in the municipality of Corn Island (appraisal estimate US\$0.9 million, actual US\$0.83 million):** This component was to support the environmental protection and climate change adaptation program through: i) the implementation of a Wetland Protection and Mangrove Restoration Program to reduce vulnerability to sea level rise; ii) establishment of an Environmental and Climate Change Monitoring Program including the monitoring of such parameters as precipitation and temperature, and (iii) development of an education program on adaptation to climate change and protection of the islands' natural capacity to withstand climate pressures and protect its water sources.

Furthermore, this component was to support the strengthening climate resilience of water supply and sanitation systems and water sources in Corn Islands through (i) implementation of a Groundwater Climate Resilience Program; (ii) technical assessments of groundwater aquifers' hydrology and the additional pressures from climate variability and the rising sea level.

**Component 3: Institutional strengthening, project management and monitoring (appraisal estimate US\$1.5 million, actual US\$1.57 million):** This component was to finance the strengthening of institutional



capacity and coordination mechanisms at national and municipal levels to facilitate the integration of climate change adaptation into Nicaragua's water supply and sanitation and water resources management sectors. Also, this component was to support the creation of a climate change-water resources knowledge base, build institutional capacity for climate change adaptation, and support the Ministry of Environment and Natural Resources (MARENA) and the Emergency Social Investment Fund (FISE) to implement, manage, monitor and evaluate the pertinent parts of the project.

#### e. **Comments on Project Cost, Financing, Borrower Contribution, and Dates**

**Project Cost:** The project was estimated to cost US\$6.0 million, actual cost was US\$5.97 million.

**Financing:** The project was to be financed by a US\$6.0 million grant from the Special Climate Change Fund administered by the Global Environment Facility of which US\$5.97 million disbursed.

**Borrower Contribution:** The Borrower was not to make any contributions.

**Dates:** The project was restructured twice:

- On July 27, 2016, the project was restructured to : i) revise the objective of the project to reflect the pilot scale nature of the project that was to finance a number of diverse climate adaptation measures and supporting activities in the selected communities with differing socio-environmental conditions and in close collaboration with the beneficiary communities; ii) adjust the Results Framework to improve its overall presentation and consistency, the logical results chain between the revised PDO formulation and the PDO and intermediate results indicators, and the measurability of the project results; iii) change in components and costs; iv) change in legal covenants; v) change in institutional arrangement to include the National Forestry Development Fund (FONADEFO) as a cooperating agency in charge of the external field monitoring; and vi) change in financial management.
- On February 28, 2018, the project was restructured to revise the Results Framework to better connect the progress made towards the achievement of the PDO with the Project's logical results chain.

### 3. Relevance of Objectives

#### Rationale

According to the PAD (p. 1) Nicaragua was likely to achieve its MDG commitment to ensuring access to improved water sources and was making good progress on access to sanitation. However, Nicaragua was experiencing frequent water rationing, high system losses, lack of domestic metering, low collection rates, and poor water quality, particularly in rural areas. At the time of appraisal, the country also experienced great disparity in terms of urban and rural access to water (98 percent versus 68 percent respectively), and to sanitation (63 percent versus 37 percent). In order to address these challenges, the government of Nicaragua defined the increase of Nicaragua's water supply and sanitation access, associated with better service quality, as one of the pillars of the country's 2008-2012 National Development Plan. Also, the original and revised objectives of the project were aligned with the country's 2010-2015 National



Environmental Climate Change Strategy which included two strategic policy areas relevant for this project: i) environmental and natural resource protection policy, and ii) climate change policy. Improving water supply, sanitation access and service quality were an essential part of the Bank's Country Partnership Strategy (CPS) 2008–2012. At project closing, the original and revised objectives of the project were in line with the Bank's most recent CPS (FY18-22) which pillar III focuses on improving institutions for resilience and sustainability, and objective 6 which aims to improve natural resources management and reduced vulnerability to natural hazards.

## Rating

High

## 4. Achievement of Objectives (Efficacy)

### Objective 1

#### Objective

To enhance climate resilience of investments made in Nicaragua's rural water supply sector in order to cope with increasing climate variability:

#### Rationale

The project's theory of change connected the piloting of supply-and-demand-side interventions such as the construction and rehabilitation of rural Water Supply, Sanitation and Hygiene (WASH) systems that incorporated climate change adaptation measures, the piloting of a compensation for environmental services (CES) mechanism to promote more-sustainable land use and the enhancing of coastal wetland protection and the reduction of vulnerability to sea-level rise in Corn Island with enhancing climate resilience in selected communities.

#### Outputs:

- An analysis of the climate change vulnerabilities with scenarios and water balance of the selected municipalities was conducted.
- A guideline to develop and systematize the implementation of municipal plans for environmental protection in the face of climate change were developed.
- A methodology to determine the vulnerability of water sources and delimitation of water recharge areas for the drinking water supply sector was developed.
- A manual of technical procedures and management for the implementation of the compensation of the ecosystem services (CES) program was developed.

#### Outcomes:

- The CES program was launched and first payments were made to selected communities, achieving the target of 100% of selected communities benefiting from the program.
- 270 farmers received Compensation for Environmental Services (CES) payments for participating in the program. This output did not have a target. 29% of beneficiaries participating in the program were women, not achieving the target of 35% of beneficiaries being female.



- The PDO indicator target of 1,250 beneficiaries with access to new or rehabilitated water supply systems, resulting from the implementation of the municipal climate change adaptation strategies was not achieved.
- The PDO indicator target of a 20% increase in the value of water sources protection index was not achieved.
- Four municipal plans for the protection of families to cope with climate change of the selected municipalities (San Juan de Limay, Juigalpa, San Ramon, and Murra) were developed and, a water resources policy including a climate change adaptation dimension was prepared by the National Water Authority (ANA). However, the target of 13 frameworks, policies and investment tools/instruments was not achieved.

**Rating**  
Modest

## **Objective 1 Revision 1**

### **Revised Objective**

To pilot water resources protection with an integrated and participatory approach:

### **Revised Rationale**

#### **Outputs:**

- 700 technicians of key public institutions were trained in the area of water resources and climate change, surpassing the target of 300 technicians. 43% of the technicians were female, surpassing the target of 40% being female.
- Implementation of the first economic compensation for ecosystem services (CES) program for the protection of critical water sources in climate-vulnerable rural communities. This output was measured through the application of water source protection index which was developed under the project. The index aimed to measure the implementation of climate change adaptation measures and better land use practices (reforestation, natural regeneration, installment of vegetation backfire buffer strips etc.) to protect water sources by farmers. 59 drinking water supply sources and their recharge areas were protected, surpassing the target of 56 drinking water supply sources.
- Ten tools to incorporate climate change adaptation in water and sanitation investments were developed by MARENA and FISE, achieving the target. These tools included for example a technical manual to protect water sources with climate change adaptation approach, a methodology to delimit water recharge areas in the drinking water supply sector, guidelines of good practices for wetlands protection with a focus on climate change.
- All seven WASH systems were constructed in the selected communities, achieving the target of all WASH systems being constructed.
- 3,028 hectares of land were conserved, reforested, and restored to increase protection water sources of the selected vulnerable communities, surpassing the target of 3,000 hectares. The land conserved included: i) adaptation measures during the construction of the WAS systems (195 hectares); ii) implementation of the CES program (2.496 hectares); iii) wetlands protection in Corn Island (26.6 hectares); and iv) spillover protection by the CES program (311 hectares). This indicator was added during the 2018 restructuring.



- Technical studies on hydrology and a risk assessment on climate change were carried out in sub-project areas. This output did not have a target.
- A Climate Information Module for water and climate change was integrated into the National Water Resources Information System (SiAGUA) and ANA, achieving the target.
- Three weather and oceanographic monitoring stations were established and are functioning in Corn Island, surpassing the target of two stations. Also, an index for wetland protection was developed to increase the protection of recharge areas of aquifers to support the adaptation capacity of water supply in Corn Island. These outputs did not have a target.

**Outcomes:**

- The value of the water source protection index in water recharge areas of selected climate-vulnerable communities that benefit of a CES program supported by the project was 85,045, surpassing the target of 73,241. The water source protection index measures the protection achieved of selected water recharge areas of the water supply sources of selected 35 climate vulnerable communities using different scores and criteria such as slope, vegetation cover, vulnerability. This indicator was revised during the 2018 restructuring.
- All vulnerable communities coordinated and organized water community groups for future management and operation of the drinking water systems and to protect water resources, achieving the target of all communities.

**Revised Rating**

Substantial

**Objective 2**

**Objective**

To enhance climate resilience of investments made in Nicaragua's rural water supply sector in order to cope with expected adverse impacts of climate change in selected areas:

**Rationale**

**Outputs:**

- A hydrological study on the availability of water resources for human consumption in communities vulnerable to climate change in the selected communities was conducted. The study was to inform the design of future WASH investments. This output did not have a target.
- Hydrological and hydrogeological studies on the risks and vulnerabilities of the water resources of Corn Islands were conducted. These studies were to inform the design of the pilot intervention in the recharge areas of Corn Island. These outputs did not have a target.
- 1,553 people were trained on climate change and adaptation to cope with the expected adverse impacts of climate change in the selected communities, surpassing the target of 500 people.

**Outcomes:**



- The first climate (rainfall) monitoring system in Corn Island and a climate change education program was implemented, achieving the target.

**Rating**  
Modest

## **Objective 2 Revision 1**

### **Revised Objective**

To pilot drinking water supply systems with an integrated and participatory approach:

### **Revised Rationale**

#### **Outputs:**

- Access to improved water sources with adaptation measures to 338 households were provided, reaching 1,786 people (including 821 females), not achieving the original target of 4,500 people but surpassing the revised target of 1,329 people.
- The construction of seven WASH systems in the defined communities was achieved, achieving the target. This indicator was revised during the 2018 restructuring. Constructions included seven water supply systems from sub-terranea or superficial water resources, 87 household connections to drinking water systems, 51 public water outposts, 45 rainfall harvesting systems, 345 sanitation units, and 347 hand washing stations.
- The country's first pilot on artificial groundwater recharge in Corn Island was completed.
- All vulnerable communities were able to manage and operate the delivered WASH systems and protect water resources, achieving the target of all vulnerable communities being able to do so. Seven CAPS (water supply, sanitation and hygiene committees) were created and complied with existing legislation for water resource protection activities and were to be responsible for operation & maintenance of the WASH community systems.

#### **Outcomes:**

- Policy and operational tools were developed to incorporate climate change adaptation in WSS sector by MARENA, FISE, and ANA.
- 25,929 people benefited from the project (among which were 50% female), surpassing the target of 23,801 project beneficiaries.

**Revised Rating**  
Substantial

## **Rationale**

Achievement of the original PDO was modest while achievement of the revised PDO was Substantial.



**Overall Efficacy Rating**

Substantial

**5. Efficiency**

**Economic Efficiency:**

The PAD (p. 14) did not conduct a traditional economic analysis. The PAD stated that specific communities to benefit from project investments had not been identified, and technical assessments had not been conducted to estimate the costs of activities to be implemented under component 1 (which counted for 80 percent of investment costs and 60 percent of its total costs). Therefore, no ex-ante economic evaluation of component 1 was undertaken at the time of appraisal. For component 2 (which counted for 20 percent of project investment costs and 15 percent of its total estimated costs at appraisal) the PAD (p.72) conducted an evaluation of alternative design to identify the most cost-effective options.

The ICR (p. 50 – 61) conducted a cost-benefit analysis. The costs were defined as the actual financial project costs discounted by six percent (US\$ 4.7 million). Realized investment costs for components 1 and 2 were estimated at US\$3.12 million. A Net Present Value (NPV) of US\$3.1 million and an Internal Rate of Return (IRR) of 14 percent was estimated for the investments made under component 1 and 2. For the entire project a NPV of US\$0.7 million and an IRR of 7 percent was estimated indicating that the project was a worthwhile investment.

**Operational Efficiency:**

According to the ICR (p. 50) the project implementation of component 2 was slightly more efficient than originally planned (US\$0.83 million instead of US\$0.90 million) and component 3 was slightly costlier (US\$1.57 million instead of US\$1.5 million) than originally planned. However, the target numbers of communities to be benefitted under sub-component 1.1 had to be reduced (from 15 to seven pilot communities) during the project restructuring in July 2016 due to initial implementation delays and higher than originally estimated costs of the community drinking water systems. Even though the revised activities under component 1 were completed by the original loan closing date, delays negatively impacted project implementation. For example, the ICR stated (p. 51) that after four years of project implementation the designs for the community water supply systems still had not been completed. In addition, CES payments for participating farmers were not made until modifications were made.

**Efficiency Rating**

Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

Rate Available?	Point value (%)	*Coverage/Scope (%)



Appraisal	0	0 <input type="checkbox"/> Not Applicable
ICR Estimate	0	0 <input type="checkbox"/> Not Applicable

\* Refers to percent of total project cost for which ERR/FRR was calculated.

## 6. Outcome

The relevance of the original objective was High given its relevance to the Bank’s most recent Country Partnership Strategy. The achievement of the original PDO and efficiency was Modest, resulting in a **Moderately Unsatisfactory** rating.

The relevance of the revised objective was High. The achievement of the revised PDO was Substantial and efficiency was Modest resulting in an overall outcome rating of Moderately Satisfactory.

According to the IEG/OPCS guidelines, when a project’s objectives are revised, the final outcome is determined by the weight of Bank disbursements under the set of objectives (48.3% under the original objective, and 51.7% under the revised objective).

Under the original objective, the outcome rating is Moderately Unsatisfactory (3) with a weight of 1.44 (3 x 48%). Under the revised objectives, the outcome is rated Moderately Satisfactory (4) with a weight value of 2.08 (4 x 52%).

These add up to a value of 3.52 (rounded to 4), which corresponds to a Moderately Satisfactory rating.

### a. Outcome Rating

Moderately Satisfactory

## 7. Risk to Development Outcome

The sustainability of the outcomes achieved under the project faces several risks. First, the ICR (p. 27) stated that the national budget currently does not provide any funding for the continuity for the CES program. Even though the Bank has been supporting the government in the development of a REDD+ strategy, which, once approved, will provide payments for emissions reduction from forest degradation and deforestation and also has been preparing a project which will include similar payments for ecosystem services program to protect first land in the Caribbean region, no long-term financing is ensured. Also, the Bank is supporting the Sustainable Rural Water Supply and Sanitation Sector Project (PROASAR) which includes activities to address climate risk. In addition, a proposal to finance 10 water supply, sanitation, and hygiene (WASH) pilots with climate change adaptation measures is being discussed.

Second, the project faced political challenges. According to the ICR (p. 27) during the last five months of project implementation MARENA’s authorities changed and a high staff turnover, especially staff working under the project on climate change, procurement, and financial management areas took place. Also, since March 2018 the country experienced on the national level a political turmoil negatively impacting the implementation of



the project's civil works activities, payments to CES program beneficiaries, and the conclusion of activities on Corn Island. And third, despite FISE continuing to invest in water supply to poor communities, it has been hesitant to include climate change aspects in its project design.

## **8. Assessment of Bank Performance**

### **a. Quality-at-Entry**

According to the ICR (p. 19), the project design was built on studies on water resources, lake health, and pollution which were conducted by the government with the support of the Bank during 2010 and 2011. The ICR (p. 25) stated that the project's integrated approach remained relevant throughout implementation. Also, the Bank team elaborated on the operational manual during project preparation. Due to the limited financial funding available, the project identified priority municipalities through hydrogeological studies. The project was linked to ongoing Bank operations such as the Nicaragua Rural Water Supply and Sanitation Project (PRASNICA). However, the ICR (p. 19) stated that due to timing issues, the two projects became delinked throughout implementation. The Bank identified relevant risk factors such as inter-institutional coordination as High since the three different agencies, FISE, MARENA and ANA had never worked together on a Bank project and had different capacities and experiences in implementing climate change measures and the Bank's safeguards. According to the Bank team (January 23, 2019) mitigation measures included the provision of safeguard training, technical assistance and close supervision by the Bank team and the Ministry of Finance's steering committee. A Steering committee was established to improve cooperation between the different agencies.

However, the project also experienced significant shortcomings during preparation. First, the original PDO was too broad for only piloting investment activities and given the limited financial resources available and weak institutional capacity. Second, the costs for investment sub-projects were underestimated due to the lack of knowledge of the pilot communities and their water supply needs. Third, the method to determine payments for the Compensation for Environmental Services (CES) was too complex. Fourth, the need for more technical studies, such as a study on the availability and vulnerability of water resources on Corn Island had not been sufficiently taken into account. And fifth, when project implementation started, the project was only partially ready since the pilot communities had not been identified.

The Results Framework also had several shortcomings (see section 9a for more details). According to the ICR (p. 19) target for the number of communities to be benefitted under subcomponent 1.1 was inaccurate since it was based on inadequate information in regards to the average cost of such systems.

### **Quality-at-Entry Rating**

Moderately Unsatisfactory

### **b. Quality of supervision**

According to the ICR (p. 26) the Bank conducted regular supervision missions throughout project implementation. The Bank ensured a smooth transition between the five different Task Team Leaders (TTLs). The ICR (p. 26) stated that the Bank provided especially close support to the implementing agencies during the last one and a half years of implementation resulting in the completion of all project



activities despite challenging political times. According to the ICR (p. 26) the Bank's supervision reporting was candid and the project benefited from a strong collaboration between the Global Practice and the Country Management Unit. The ICR (p. 20) stated that the Bank developed action plans with the Borrower to support project implementation.

The Bank team restructured the project twice to make the PDO more precise and measurable and to revise the Results Framework to better capture project outputs and outcomes.

However, according to the ICR (p. 20) the Bank did not provide timely technical support to address the delays on the payments of the CES program. Also, the Bank did not sufficiently support the borrower in regards to several technical studies which were prepared before the preparation and development of the Water Supply, Sanitation and Hygiene (WASH) investments which were lengthy and resulted in delays in project implementation.

### **Quality of Supervision Rating**

Satisfactory

### **Overall Bank Performance Rating**

Moderately Satisfactory

## **9. M&E Design, Implementation, & Utilization**

### **a. M&E Design**

The project's M&E system was to utilize the existing systems in the FISE and MARENA to monitor investments in rural water supply and sanitation infrastructure and indicators related to Municipal Climate Change Adaptation Plans and Strategies. The project was to conduct an impact evaluation including a baseline survey and periodic follow-up surveys in a sample of participating communities together with a control group for the activities implemented under sub-component 1.2.

The extent to how the key activities and outputs were to lead to the intended outcomes was sound and reflected in the results framework. However, the objective of the project was not clearly specified and had to be revised during a project restructuring. Also, the selected indicators did not encompass the outcomes of the PDO statement well and also had to be revised during the restructuring. None of the PDO indicators or intermediate outcome indicators had a baseline.

### **b. M&E Implementation**

The project's Results Framework was revised during the project restructurings in 2016 and 2018 to revise the PDO to reflect the pilot scale nature of the project and to adjust and improve the logical results chain between the revised PDO formulation and the PDO and intermediate results indicators, and the measurability of the project results. According to the ICR (p. 22) the indicators were monitored on a regular basis and the manuals and tools developed created transparent methodologies and clear processes for identifying vulnerable communities. This helped to identify in which area project interventions should be intensified.



During project intervention the M&E system was modified to include the National Forestry Development Fund (FONADEFO) as the responsible institution for on-the-ground monitoring of activities which were implemented under sub-component 1.2. The planned impact evaluation for this component consulted a sample of program participants (10%). The ICR (p. 22) stated that the results confirmed the benefits of the project in the selected communities.

The ICR (p. 22) stated that through project support a module for the National Water Resources Information System (SiAGUA) was developed and implemented to define relevant indicators for the National Water Authority (ANA) to perform its responsibility for water resource regulation. At project closing ANA was incorporating information from different agencies (municipalities, MARENA, Nicaraguan Institute for Territorial Studies (INETER), MINSA, etc.) into its M&E system. ANA also assessed the quality of water resources in Corn Islands.

Beneficiaries were involved in the M&E activities through meetings with FISE, MARENA, and ANA and local communities to discuss implementation progress or delays. According to the Bank team (January 23, 2019) M&E data was of good quality. The Bank also sent engineers to check on the sites to ensure that reporting and progress was accurate.

### **c. M&E Utilization**

The project used M&E results to inform decision making. For example, according to the ICR (p. 22) the project used findings from studies such as the inventory of water resources and hydrogeological studies to guide the design of project activities. Also, the results of the analyses of water quality on Corn Islands were used to guide implementation such as the decision not to connect the sources of water to the drinking water system.

### **M&E Quality Rating**

Substantial

## **10. Other Issues**

### **a. Safeguards**

The project was classified as category B and triggered the Bank's safeguard policies OP/BP 4.01 (Environmental Assessment), OP/BP 4.04 (Natural Habitats), OP/BP 4.36 (Forests), OP/BP 4.09 (Pest Management), OP/BP 4.11 (Physical Cultural Resources), OP/BP 4.10 (Indigenous People), OP/BP 4.12 (Involuntary Resettlement), and OP/BP 7.50 (Projects on Waterways). According to the ICR (p. 24) the project complied with all social and environmental safeguards. An environmental and social management framework (ESMF) within the Project Implementation Unit (PIU) was developed during project preparation and supported implementation. A permanent environmental specialist monitored, and supervised project construction works and forest, farm and wetland interventions. The Bank team provided support in regards to mangrove restoration and management of construction sites as well as training staff of the Emergency Social Investment Fund (FISE).



During project preparation the team also prepared a resettlement plan for the resettlement of 10 families living within the wetlands recharge areas. A full-time social specialist within the PIU oversaw the project's compliance with national legislation and Bank policies. In addition, 10 social development specialists were hired to support project activities such as community consultations, CAP formation of Water Supply and Sanitation Committees (CAPs), and dissemination of water, hygiene, and water resource protection measures.

## **b. Fiduciary Compliance**

### **Financial Management:**

MARENA was responsible for consolidating the project's financial management. In order to fulfill its role, MARENA hired a financial management specialist, accountants and trained key staff. According to the ICR (p. 25) the project generally had adequate financial management arrangements which were complied with throughout most of the implementation period. However, the project's financial management experienced several challenges. For about five months MARENA's experienced a high rotation of financial management staff, financial management units experienced delays in issuing financial statements, bank reconciliations, and statement of expenses to the Bank, as well as submitting external audit reports. MARENA and FISE worked together to address these issues. Furthermore, the ICR (p. 25) stated that most audit reports were unqualified and no internal control issues were identified. The financial management rating ranged from Moderately Unsatisfactory to Moderately Satisfactory throughout project implementation and remained at Moderately Satisfactory at project closing.

### **Procurement:**

According to the ICR (p. 24) the procurement divisions of FISE and MARENA implemented adequate procurement arrangements and plans throughout the project period. Also, standard procurement activities were carried out on a routine basis. FISE hired two additional procurement analysts and MARENA contracted a qualified procurement specialist. However, the project experienced procurement related delays despite the divisions being familiar with Bank procedures due to insufficient capacity, a heavy work load, and complexity of procurement procedures in regards to the consultant selection process for the designs of the community water systems. The ICR (p. 25) stated that these issues were addressed by reorganizing FISE's procurement division, completing an independent review, and the Bank providing additional training.

## **c. Unintended impacts (Positive or Negative)**

NA

## **d. Other**

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## 11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	---
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	---
Quality of M&E	Substantial	Substantial	---
Quality of ICR		Substantial	---

## 12. Lessons

The ICR (p. 27-28) provided several lessons learned which were adapted by IEG:

- **Including stakeholders on all various levels is critical for building stronger capacity.** In this project, MARENA and FISE involved municipalities, community organizations, and beneficiaries throughout project implementation through holding workshops, sharing information, and providing training. This resulted in being able to build strong adaptation capacity and resilience on the rural, municipal, and national levels.
- **Putting in place a strong financial management system is especially important for projects that include more than one implementing agency.** This project faced several financial management issues that had been undetected. Once the Bank identified these issues and provided close supervision to address them, important lessons learned were derived which were helpful for project management and Bank supervision during the final year of project implementation.
- **Being able to adapt a project’s approach is critical for a successful project implementation.** In this project, the government and the Bank adapted the methodology for the CED program which helped to activate payments to participating farmers allowing for an on-schedule, on-budget and more sustainable implementation of the community sub-projects.

## 13. Assessment Recommended?

No

## 14. Comments on Quality of ICR

The ICR provided a good overview of project preparation and implementation and included an adequate economic analysis. However, the ICR was output driven rather than outcome driven and did not provide targets for all outputs. Also, the ICR was internally inconsistent in some places. For example, in paragraph 66 it stated first that the procurement divisions were adequately staffed. However, a few sentences later it stated that the project experienced procurement delays due to insufficient capacity. In addition, the ICR did not



explain what happened to the Bank's safeguard policies OP/BP 4.10 and OP/BP 7.50 which were triggered in the PAD but not mentioned in the ICR. Also, with 28 pages the ICR is lengthy.

**a. Quality of ICR Rating**  
Substantial