



1. Project Data:		Date Posted : 08/20/2002	
PROJ ID: P035080		Appraisal	Actual
Project Name: Institutional Dev Proj	Project Costs (US\$M)	33.50	28.47
Country: Nicaragua	Loan/Credit (US\$M)	23	21.53
Sector(s): Board: PS - Central government administration (74%), General public administration sector (26%)	Cofinancing (US\$M)	8.2	6.4
L/C Number: C2690			
	Board Approval (FY)		95
Partners involved : USAID, IDB, Switzerland	Closing Date	12/31/2000	12/31/2001
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components			
a. Objectives			
to assist the Government to: (i) implement its program for restructuring the public sector; (ii) improve the delivery of essential public services; and (iii) further rationalize fiscal expenditures.			
b. Components			
The original components were: (i) To assist the Government with Institutional Restructuring of selected ministries and agencies; (ii) Civil Service Reform; (iii) implement a system of Integrated Financial Management for the Government, including improvements in the Government's information technology; (iv) Information technology - design and implementation of financial management and human resource information technology systems; and (v) trainings - preparation and conduct of training of managers, technicians and administrative personnel . In addition to these, three components were added during implementation : (i) assist in privatization of the state telecommunications agency (ENITEL), (ii) support preliminary work on corruption issues; and (iii) support the establishment of an economic advisory capacity in the Office of the Presidency .			
c. Comments on Project Cost, Financing and Dates			
The project cost US\$28.47 million, financed by an IDA credit (US\$21.53 million), USAID (US\$4.5 million), IDB and Switzerland (US\$1.95 million) and the Government (US\$0.4 million).The project was appraised in December, 1994, approved by the Board on March 16, 1995, made effective on May 12, 1995, and closed on December 31, 2001, one year behind schedule.			
3. Achievement of Relevant Objectives:			
(i) Six ministries participated in the system of Institutional Restructuring Agreements (ARI) and have been overhauled as a result. In these ministries, operations were re-engineered and processes redesigned, with projected savings of 40-50 percent in recurrent costs. While this was far fewer than the 20 participating agencies projected at appraisal, this component supported substantial improvements within participating ministries . In addition, Law 290 was approved in 1998 which resulted in streamlining the overall structure of the Central Government . (ii) A model of a professional civil service was produced and a draft comprehensive reform law was drafted . 983 positions were analyzed and classified, and 782 civil servants from 48 agencies were trained. (iii) An integrated financial management system (SIGFA) has been implemented which integrates budget, accounting, treasury and public credit systems. This has substantially improved the quality of the budget. However, auditing functions have not been improved as foreseen. The new system benefitted from the introduction of modern electronic information technology supported by the project. (iv) A consortium led by Telia of Sweden and EMCE of Honduras purchased 40% of the shares of ENITEL and management control. (v) A National Integrity Committee was established and a seminar and survey were conducted. (vi) A Secretariat was created to advise the President and his cabinet on macroeconomic issues. (vii) Some twenty service delivery surveys were carried out in various sectors with WBI participation, leading to some reforms and better information for the public. (viii) 3,418 staff were trained in financial administration related to SIGFA's implementation, and 782 officers were briefed on the new personnel methods.			
The project benefitted in implementation from a detailed set of performance indicators (see annex I of the ICR) which			

facilitated monitoring and evaluation and achievement of relevant objectives .

4. Significant Outcomes/Impacts:

Government administration has been improved and streamlined, and budget processes have been improved through SIGFA. The telecommunications enterprise was effectively privatized .

5. Significant Shortcomings (including non-compliance with safeguard policies):

The ICR notes that there does not appear to have been an optimal level of coordination between this project and other IDA projects in promoting structural government reforms, but no serious problems are identified as a result of this.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Moderately Satisfactory	While this project accomplished a great deal, the number of participating ministries in the ARI fell far short of expectations (only 7 ministries participated, instead of the 20 which were expected to participate). While SIGFA was generally satisfactory, auditing did not improve as expected. With such shortfalls in implementation, a fully satisfactory rating is not warranted and, therefore, OED views this as a moderately satisfactory outcome.
Institutional Dev .:	Substantial	Substantial	
Sustainability:	Likely	Non-evaluable	As noted in the ICR, there is uncertainty about the fate of the personnel reform efforts at this time. More importantly, the ICR notes that in "the final analysis, public sector reform depends on good governance, the conditions for which are still fragile in Nicaragua". Therefore, at this time, OED views sustainability as "non-evaluable" on the basis of information now available.
Bank Performance:	Satisfactory	Satisfactory	Despite the apparent lack of coordination with other IDA projects, Bank performance is rated satisfactory because of the Bank's efforts to make this project's outcome satisfactory and the lack of evidence that the lack of coordination materially affected the impact of the Bank's program, although it may have reduced efficiency.
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR:		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

1. Agencies need to have inducements to engage in a system of performance contracts (the project's IRAs). One such inducement would be to make this a requirement for budget authority after a certain date . 2. Staffs of institutions targeted for reforms should be informed of the goals and methods to be used, to promote active participation and ensure consistency and common understanding of tasks .

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

The ICR is clearly and frankly written . Its judgements and evaluations are backed up with specifics . (A minor drawback: the ICR does not disaggregate the support for the project of the IDB and Switzerland .) The borrower's contribution is substantial .