

1. Project Data :	
OEDID:	C2767
Project ID:	P038916
Project Name:	Social Investment Fund 2
Country:	Nicaragua
Sector:	Social Assistance
L/C Number:	C2767
Partners involved :	IDB, KfW, SIDA, USAID, OPEC
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2. Project Objectives, Financing, Costs and Components :
 The objectives of the project were to help the Government sustain its poverty alleviation efforts and maintain social cohesion during the economic adjustment period . In addition, the project aimed at supporting the Government's decentralization strategy, strengthen the local contracting industry, broaden the menu of projects financed by FISE, support the targeting of resources to more depressed areas, and help meet the special needs of the indigenous population. The project was also intended to mobilize further international assistance . The IDA amount was US \$30million (actual: US \$26.5million due to depreciation of the SDR currency basket). The total project cost was US \$102.4million (actual: US\$172million). The project had four components: (i) investment subprojects (social infrastructure, economic infrastructure, social services, and environment); (ii) institutional strengthening; (iii) Living Standards Measurement Survey (LSMS); and (iv) maintenance fund.

3. Achievement of Relevant Objectives :
 Project objectives were largely met.

4. Significant Achievements :

1. Significant amounts of infrastructure were created /rehabilitated with benefits accruing to 7.7million persons.
2. The poverty targeting strategy is informed by rigorous poverty data (from the living standards measurement survey), and attention is given to evaluating impact (including through an in-depth ongoing FISE-IDA impact evaluation).
3. The link-up between the Social Fund and the Municipal Strengthening program (of the Institute of Municipal Development) represents an innovative approach to addressing sustainability and capacity building issues (through a Preventive Maintenance Fund, support for participatory micro -planning at the local level, and encouragement of local level administration and management of public social investment).
4. The Social Fund succeeded in mobilizing sizeable additional external resources resulting in a total project cost of almost US\$70million over the original estimate.

5. Significant Shortcomings :

1. Issues of sustainability and quality of investments were not adequately integrated into project design .*
2. Institutional strengthening of the Social Fund itself as well as of its partner organizations received insufficient attention.
3. Clear mechanisms to ensure community participation and NGO involvement were lacking .*
4. Over the past two years, FISE's management has become susceptible to political pressure which apparently has affected normal programming, even though FISE's targeting goals were generally met .
5. Inter-institutional coordination was weak.

* Attention was devoted to these issues during the mid -term review.

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	

Institutional Dev .:	Substantial	Substantial	
Sustainability :	Likely	Uncertain	The project included positive measures to address sustainability issues especially at mid-term, however, the results from these measures were not evaluated in the short time before project closure. It was unexpected that individual investments approved prior to mid-term would benefit from these measures. Hurricane Mitch also throws the sustainability of FISE investments into question.
Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Satisfactory	

7. Lessons of Broad Applicability :

1. The conditions for sustainable service delivery need to be built upfront into project design .
2. Social Funds with service delivery and capacity building goals are supervision -intensive and require inputs from sectoral experts with the relevant skills -mix and technical competencies .
3. Clearly-specified and objective criteria as well as explicit mechanisms for resource allocation /project selection are critical and their application should be closely and regularly monitored .
4. While experienced senior management is key to project success, the need for competent intermediate -level staff should not be overlooked .
5. The likely demand for private contractors and materials in the project area should be estimated upfront, and contingency plans made if this is likely to outstrip supply .

8. Audit Recommended? Yes No

Why? The innovative aspects of the project (i.e., link-up with the Municipal Strengthening program including the establishment of a Preventive Maintenance Fund) should be evaluated to determine lessons of wider applicability. The scope and results of the currently underway impact evaluation should be reviewed to avoid duplication. It is recommended that the audit cover the present project as well as the follow -on project and be undertaken when there is 2-3 years implementation experience from the latter .

9. Comments on Quality of ICR :

The section in the ICR dealing with "Future Operation" is supposed to be about the future operation of investments financed under *this* project and not about future Bank operations .