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IMPLEMENTATION COMPLETION REPORT

REPUBLIC OF NICARAGUA

SOCIAL INVESTMENT FUND PROJECT

(Credit 2434-NI)

March 28, 1997

Central America Department
Latin America and the Caribbean Regional Office

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CURRENCY EQUIVALENTS

Currency Unit = Córdoba (C)

Average Exchange Rates

1991 C\$4.3534 = US\$1.00

1992 C\$5.0000 = US\$1.00

1993 C\$6.1206 = US\$1.00

1994 C\$6.7245 = US\$1.00

1995 C\$7.5315 = US\$1.00

1996 C\$8.2356 = US\$1.00

1995 SDR 1.00 = US\$1.5758

FISCAL YEAR OF BORROWER

July 1 - June 30

ACRONYMS AND ABBREVIATIONS

COSUDE	Swiss Development Corporation
FISE	Social Emergency Investment Fund (<i>Fondo de Inversion Social de Emergencia</i>)
GDP	Gross Domestic Product
GON	Government of Nicaragua
ICR	Implementation Completion Report
IDA	International Development Association
IDB	Inter-American Development Bank
IMF	International Monetary Fund
INAA	Nicaraguan Institute for Water and Sewerage
INEC	National Institute of Statistics and Census
INIFOM	Nicaraguan Institute for Municipal Development
KfW	German Credit Institute for Reconstruction
LCB	Local Competitive Bidding
LSMS	Living Standards Measurement Survey
MED	Ministry of Education
MIFIN	Ministry of Finance
MINSA	Ministry of Health
NGO	Nongovernmental Organization
SIDA	Swedish International Development Agency
SIF I	Social Investment Fund Project, Credit 2434-NI
SIF II	Second Social Investment Fund Project, Credit 2767-NI
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

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Contents

	Page
PREFACE	i
EVALUATION SUMMARY	ii
PART ONE: PROJECT IMPLEMENTATION ASSESSMENT	1
INTRODUCTION	1
PROJECT OBJECTIVES	1
ACHIEVEMENT OF PROJECT OBJECTIVES	2
<i>Poverty Reduction</i>	2
<i>Project Results</i>	3
<i>Institutional Development</i>	4
<i>Private Sector Development</i>	5
<i>Living Standards Measurement Survey (LSMS)</i>	6
<i>Project Design</i>	6
MAJOR FACTORS AFFECTING THE PROJECT	7
<i>Factors Not Generally Subject to Government Control</i>	7
<i>Factors Generally Subject to Government Control</i>	8
<i>Factors Generally Subject to FISE Control</i>	8
PROJECT SUSTAINABILITY	8
IDA PERFORMANCE	9
<i>Identification</i>	9
<i>Preparation Assistance</i>	9
<i>Appraisal</i>	9
<i>Supervision</i>	9
BORROWER PERFORMANCE	10
<i>Preparation</i>	10
<i>Implementation</i>	10
ASSESSMENT OF OUTCOME	13
FUTURE OPERATION	13
KEY LESSONS LEARNED	13
PART TWO: STATISTICAL DATA	15

- Appendixes: A. Mission's aide mémoire
 B. FISE Contribution to the ICR

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IMPLEMENTATION COMPLETION REPORT

REPUBLIC OF NICARAGUA

SOCIAL INVESTMENT FUND PROJECT

(Credit 2434-NI)

Preface

This is the Implementation Completion Report (ICR) for the first Social Investment Fund Project in Nicaragua, for which Credit 2434-NI in the amount of SDR17.3 million (US\$25.0 million equivalent) was approved on January 21, 1993, and made effective on June 18, 1993.

The Credit was closed on September 30, 1996, compared with the original closing date of December 31, 1995. As of January 31 1997, an amount equivalent to US\$25.1 million had been disbursed, and the remaining balance of US\$184,000 equivalent was canceled as of that day. Cofinancing for the project was provided by the Federal Republic of Germany through the German Credit Institute for Reconstruction (KfW), the Government of Sweden through the Swedish International Development Agency (SIDA), the Government of Switzerland through the Swiss Development Corporation (COSUDE), the Inter-American Development Bank (IDB), the U.S. Agency for International Development (USAID), and the Government of Nicaragua (GON) and municipalities.

The ICR was prepared by Mr. Willem Struben, Task Manager, LASHD, of the Latin America and the Caribbean Regional Office, with the help of Ms. Anna Webb and Mr. Kevin Rost (consultants), and was reviewed by Ms. Eleanor Schreiber, LASHD, and Ms. Kreszentia Duer, Lead Operations Specialist, LADCN. The borrower provided comments that are included as an appendix to the ICR.

Preparation of this ICR was begun during IDA's completion mission, in early September 1996. It is based on material in the project file, in addition to discussions with the borrower. The borrower contributed to the preparation of the ICR by presenting views reflected in the mission's aide-memoire, compiling statistical data, preparing an evaluation of the project's implementation, and commenting on the draft ICR. The major cofinancing agencies (IDB, KfW, and COSUDE) reviewed the draft document, and their comments have been incorporated.

Evaluation Summary

SOCIAL INVESTMENT FUND PROJECT

(Credit 2434-NI)

REPUBLIC OF NICARAGUA

Introduction

Since 1991, following a decade of civil strife, the Government of Nicaragua (GON) has implemented a comprehensive stabilization and adjustment program. The Emergency Social Investment Fund (FISE) was established by the Government in November 1990, as a temporary social safety net program to help protect and improve the standard of living of marginal social groups during the period of economic adjustment through the provision of employment and social and economic infrastructure and services. FISE has been directly supported by the International Development Association (IDA) under the first and second Social Investment Fund (SIF) Projects and by other multilateral and bilateral donors.

Project Objectives

The objectives of the first Social Investment Fund Project (SIF I), Credit 2434-NI, were to help GON sustain its poverty alleviation efforts, and maintain social cohesion during the period of economic adjustment, until line ministries could strengthen their institutional capacities, and complete policy reform programs. To the extent feasible, the methods of operation, procedures, and experience of FISE would be transferred gradually to social ministries to help them improve efficiency and equity of service delivery. The IDA Credit was also intended as a channel to mobilize further international assistance.

The project had four components: (a) the financing, through FISE, of a range of small-scale subprojects in social and economic infrastructure and social services; (b) technical assistance to the National Institute of Statistics and Census (INEC) to implement a Living Standards Measurement Survey (LSMS); (c) technical assistance to strengthen the capacity of the Ministry of Health (MINSA) and Ministry of Education (MED) to prepare subprojects; and (d) technical assistance to help the Government, through the Ministry of Finance (MIFIN), to improve budgeting and financial management capacity in the social ministries. At appraisal, the total project cost was estimated at US\$68 million; the operating costs of the executing agencies were estimated at 5.9 percent of total project cost.¹

The project objectives were consistent with the country assistance strategy to help alleviate poverty in Nicaragua, and the project complemented other IDA-financed projects directed at poverty reduction. The project design was appropriate to achieving project objectives; it incorporated the standard features of social investment funds, which are well-tested. The technical assistance components were complementary to the principal subproject investment component.

¹ Based on percentage of committed funds. This was later changed to percentage of disbursed funds, which increased the operating cost to about 10 percent.

Implementation Experience and Results

The project objective of helping the GON sustain its poverty alleviation efforts was achieved. FISE met the geographic and sectoral targets for poverty interventions that were established at appraisal. From 1991 to July 1996, FISE committed resources of US\$119.6 million to each of the country's 143 municipalities according to population size and a poverty index. Municipalities with extreme poverty received 22.3 percent of resources, compared to the appraisal estimate of 20 percent. Municipalities with high poverty were allocated 58.3 percent of resources, compared to the 57 percent target. Municipalities with medium poverty, which are eligible for FISE financing due to the presence of poverty groups, received 19.4 percent of resources, compared to the appraisal estimate of 23 percent.

For the same time period, FISE financed 3,792 subprojects in the amount of US\$106.6 million. At appraisal, the sectoral allocation for social infrastructure was estimated at 55 percent; for economic infrastructure at 23.5 percent; for social services subprojects at 20 percent; and for community training at 1.5 percent. Actual allocations amounted to 62.3 percent, 19.6 percent, 17.4 percent, and 0.6 percent, respectively. The larger proportion of social infrastructure financing reflected health and education sector demand. The smaller than expected investment in economic infrastructure, social services, and community training was due mostly to difficulties regarding subproject preparation on the part of municipalities and non-governmental organizations (NGOs), as well as health and education ministry delays.

FISE's investment in social infrastructure made an important contribution to meeting the needs of the poor by improving the coverage and conditions for social services delivery. It financed 1,454 subprojects, including the repair or remodeling of 969 primary and pre-primary schools, 77 secondary schools, 250 health posts, and 51 health centers. In addition, 1,612 social services subprojects included education equipment, health equipment, and latrine subprojects. FISE accounted for 54 percent of the country's education and 28 percent of its health expenditures. Approximately 6.3 million persons benefited from FISE-financed subprojects.² The share of women beneficiaries was estimated at about 50 percent in education subprojects and 65 percent in health subprojects. FISE-financed subprojects generated 184,706 months of temporary employment.³

FISE's institutional development was substantial. Procedures and systems (financial, administrative, auditing, contracting, data management, planning) were improved. FISE helped municipalities to improve their skills in subproject identification, preparation, and contracting. MINSA and MED benefited from institutional strengthening through the project's two technical assistance components. However, the achievement of the project objective to transfer FISE experience and its methods of operations and procedures to the social ministries to help them improve their efficiency and equity of service delivery was only partially successful. This transfer was largely limited by personnel turnover in both ministries and the absence of a detailed arrangement between those ministries and FISE.⁴ However, the LSMS component was successfully completed in 1993, and survey results have

² Many persons benefited from more than one project.

³ Direct employment only.

⁴ This arrangement came only recently.

been used to assist the GON, IDA, and other donors to refine and strengthen the design of poverty reduction programs and policies.

The project made a substantial contribution to private sector development in terms of investment, growth, and human resources development in the construction, private banking, and insurance sectors. However, it did not exploit the full potential of available and competent NGOs.

The ability of FISE to obtain donor funding substantially affected the achievement of the project's major objective. FISE mobilized external funding of US\$86.1 million for the period January 1993 to September 1996. At appraisal, the target for external funding was US\$58.6 million, including IDA financing. In fact, FISE received US\$91.9 million in multi-lateral and bilateral support from IDA, four co-financiers, and two additional funding sources. The projected GON contribution was US\$6.3 million, compared to the actual contribution of US\$15.1 million through September 1996. At appraisal, the FISE project cost was estimated at US\$64.5 million. The project cost through September 1997 was US\$102.4 million, including part of the cost of the Second Social Investment Fund (SIF II) Project, Credit 2767-NI. Additional resources led to an increase in subproject financing from US\$60.5 million to US\$91.7 million.

The Credit was to be disbursed over a period of two and one-half years, to be completed by June 30, 1995. The Credit became effective in June rather than March of 1993, as anticipated, because of a change in Chairman of the Board of FISE, and delays in getting the Subsidiary Agreement and the legal opinion. Initial disbursements were slower than expected because of the delay in effectiveness; subproject sponsors had limited experience with ICB; and FISE's supervision department did not sufficiently pressure contractors to complete subprojects on time. The closing date was extended twice: from December 31, 1995 to June 30, 1996, and then to September 30, 1996, to allow for the commitment and payment of the final US\$349,052.

As of January 31, 1997, an amount equivalent to US\$25.1 million had been disbursed, and the remaining balance of US\$184,000 equivalent was canceled as of that day.

Project implementation complied with the Credit Agreement in its fundamental aspects, and compliance with special covenants, which were mainly limited to procedural issues, was satisfactory. Apart from the quarterly audits, all conditions were met substantially without undue delays.

Continued support for FISE and sustainability of the project are likely, given the GON's commitment to poverty alleviation, maintenance of the social safety net during continuing adjustment, and protection of social spending from fiscal austerity. The follow-on SIF II project became effective on April 30, 1996. However, subproject sustainability is still problematic. Nevertheless, this is expected to improve under SIF II, particularly because of the establishment of a maintenance fund with the help of the IDB. SIF II also contributes to sustainability through community capacity building and stronger cooperation between FISE and the line ministries and agencies.

External factors that partially affected subproject implementation included the variable supply of construction materials, poor quality materials, adverse weather conditions, the presence of irregular, armed groups in subproject areas, and municipalities' initially weak capacity to participate in

subprojects. During part of 1993, subproject implementation was partially affected by the failure of the GON to provide counterpart financing; since then, the Government has met its commitments.

The performance of IDA was generally highly satisfactory. However, a transition period between project task managers contributed to several months' delay in responding to FISE's request to adjust aggregate limits for different methods of procurement, which slightly affected subproject implementation. Also, over time IDA advice was not always consistent.

Overall, FISE's implementation performance was satisfactory. FISE project administration was efficient, management was effective, and operational efficiencies were attained in the subproject cycle. A few shortcomings were found, but these did not affect the overall achievement of development results.

Summary of Findings, Future Operations, and Key Lessons Learned

The most important finding of the project implementation experience was that FISE met the poverty intervention targets established at appraisal, and surpassed these targets in terms of resource allocations due to the mobilization of additional external resources. At the same time, FISE maintained efficient project administration. Administrative costs were about 10 percent of total disbursements, in keeping with administrative costs of other social investment funds. Expected improvements in the subproject menu, subproject processing time, the incorporation of social objectives, and new work areas in the subproject cycle, and the use of local competitive bidding were not fully realized. These will be further addressed during the implementation of SIF II.

As regards future operations, the SIF II project continues to support FISE's investment program, an institutional strengthening component, and a LSMS component to assist the GON in implementing a second round of the survey. Under SIF II, FISE has an agreed program and budget for 1995-1997, and a complete set of key performance indicators by which the project can be monitored and evaluated.

Four main lessons were learned that are applicable to future social investment fund projects. First, FISE succeeded through the effective and efficient application of standard SIF procedures and methods, which are well-tested and proven, and owes its success to good management and the ability to attract donor financing. Second, the successful implementation of social objectives and new work areas depends on institutional commitment, effective technical assistance that responds to FISE's special needs (e.g., rapid execution), productive partnerships with the social ministries, and the correct assessment of the impact of additional considerations on institutional capacity. Both FISE and donors should give more attention to the impact of added responsibilities on the institution. Third, the transfer of FISE's experience and methods of operation and procedures to social ministries to help them improve their efficiency and equity of service delivery was only partially achieved, because of uncertainties regarding the transfer and inadequate analysis of the objectives of the ministries with regard to how FISE could be of assistance. This objective can be better achieved with the help of specific sector operations. And fourth, NGOs have to play a substantial role in facilitating community involvement throughout the project cycle. Even though Nicaragua's recent history may have created some sensitivities regarding the role of some NGOs, a more substantial effort to exploit the knowledge and experience of NGOs would have been advisable.

Part One: Project Implementation Assessment

INTRODUCTION

1. Since 1991, following a decade of civil strife, the Government of Nicaragua (GON) has implemented a comprehensive stabilization and adjustment program.⁵ The Emergency Social Investment Fund (FISE) was established by the Government in November 1990, as a temporary social safety net program to help protect and improve the standard of living of marginal social groups during the period of economic adjustment through the provision of employment and social and economic infrastructure and services.⁶ Originally scheduled to end in December 1995, the Government extended FISE's life by two years to help meet Nicaragua's persisting social and economic problems. FISE has been directly supported by the International Development Association (IDA) under the first Social Investment Fund (SIF I) Project through Cr. 2434-NI of US\$25.0 million equivalent in 1992, and the Second Social Investment Fund (SIF II) Project through Cr. 2767-NI of US\$30.0 million equivalent in 1995. IDA's support of FISE is consistent with its strategy of helping alleviate poverty in Nicaragua and complements other IDA-financed projects directed at poverty alleviation. The social sectors have received, and continue to receive, considerable IDA support to help improve the poor social indicators of the country.⁷

PROJECT OBJECTIVES

2. The objectives of the first Social Investment Fund Project (SIF I), Credit 2434-NI, were to help GON sustain its poverty alleviation efforts and maintain social cohesion during the period of economic adjustment until line ministries would strengthen their institutional capacities and complete policy reform programs. To the extent feasible, the methods of operation, procedures, and experience of FISE would be transferred gradually to social ministries to help them improve their efficiency and equity of service delivery. The IDA Credit was also intended as a channel to mobilize further international assistance.

3. The project had four components: (a) the financing, through FISE, of a range of small-scale subprojects in social and economic infrastructure and social services (US\$60.5 million, 89.0% of total

⁵ The adjustment program was supported by the International Monetary Fund (IMF) Stand-by arrangement and two IDA Economic Recovery Credits (ERC I and II) approved in September 1991 and June 1994, respectively.

⁶ The other GON social safety net programs are the Social Action Ministry (MAS) Integrated Basic Services Program (PROSERBI), which supports the provision of basic social services in poor communities, and the National Institute for Municipal Development (INIFOM), which operates a program to finance investments on basic economic and social infrastructure directed to municipal governments.

⁷ Social sector support was and is provided by the Health Sector Reform Project (Cr. 2556-NI) of US\$15 million equivalent in 1993; the Basic Education Project (Cr. 2689-NI) of US\$34 million equivalent in 1995; and the Rural Municipalities Project (Cr. 2918-NI) of US\$30.0 million in 1996.

project cost); (b) technical assistance to the National Institute of Statistics and Census (INEC) to implement a Living Standards Measurement Survey (LSMS; US\$0.9 million, 1.3%); (c) technical assistance to strengthen the capacity of the Ministry of Health (MINSA) and Ministry of Education (MED) to prepare subprojects (US\$1.8 million, 2.6%); and (d) technical assistance to help the Government, through the Ministry of Finance (MIFIN), to improve budgeting and financial management capacity in the social ministries (US\$0.8 million, 1.2%). The operating costs of the executing agencies (US\$4.0 million, or 5.9% of total project cost) were to be financed by the Government, IDB, and UNDP.

ACHIEVEMENT OF PROJECT OBJECTIVES

Poverty Reduction

4. The achievement of the project objective to help GON sustain its poverty alleviation efforts was substantial, based on (a) the extent to which planned interventions in the staff appraisal report were met, using geographic, and sectoral targets for resource allocation to subprojects; (b) project results; and (c) resource mobilization. FISE's contribution to poverty reduction was significant in terms of improving access to and the conditions of social services delivery, but it cannot address the underlying causes of poverty.

5. **Geographic Targeting.** From 1991 to July 1996, FISE committed resources of US\$119.6 million to each of the country's 143 municipalities according to population size and a poverty index that was composed of displaced population, child malnutrition, and water supply indicators. Municipalities were grouped in three categories: extreme poverty (39 municipalities and 14.7% of population), high poverty (95 municipalities and 52.9% of population), and medium poverty (9 municipalities and 32.4% of population, including Managua with 20% of population). Poorer municipalities were assigned larger allocations on a per capita basis than other municipalities. Municipalities with medium poverty were eligible for FISE financing due to the presence of poverty groups.

6. Geographic targeting worked well. FISE met the resource allocation targets established at appraisal (Table B1). As of July 31, 1996, municipalities with extreme poverty received 22.3 percent of resources, compared to the appraisal estimate of 20 percent (Tables B2 and B3). Municipalities with high poverty received 58.3 percent (US\$69.8 million), compared to the appraisal estimate of 57 percent. Municipalities with medium poverty received 19.4 percent (US\$23.5 million), compared to the appraisal estimate of 23 percent. In addition, FISE agreed not to commit more than 18 percent of resources to Managua and 7 percent to other medium poverty municipalities. Managua received 10.8 percent (US\$12.9 million) of resources, and the other medium poverty municipalities, 8.6 percent (US\$10.2 million). In July 1996, the investment per capita by poverty category was US\$39.93 in extreme poverty municipalities, US\$32.55 in high poverty municipalities, and US\$15.99 in medium poverty municipalities, compared to less than US\$5 for each category in 1991.

7. **Sectoral Targeting.** At appraisal, sectoral allocations were estimated in four broad categories: social infrastructure, 55 percent; economic infrastructure, 23.5 percent; social services, 20 percent; and community training, 1.5 percent. From 1991 through July 1996, FISE financed 3,792 subprojects in the amount of US\$106.6 million (Table B4). Investment by category amounted to: social

infrastructure, 62.4 percent (US\$66.5 million); economic infrastructure, 19.7 percent (US\$21.0); social services, 17.4 percent (US\$18.5 million); and community training, 0.6 percent (US\$0.61 million).

8. The larger proportion of social infrastructure financing reflected health and education sector demand. With regard to economic infrastructure subprojects, the capacity of municipalities to prepare subprojects was over-estimated; however, FISE continues to provide technical assistance to improve their skills in this and other areas. The smaller than expected investment in social services subprojects was due to delays in subproject preparation and international bidding for health facility equipment and school text and library books, and difficulties surrounding non-governmental organization (NGO) participation.⁸ NGO participation difficulties also contributed to low investment in community training, along with FISE's inadequate attention to this subject.

9. **Resource Mobilization.** The achievement of the project objective was substantially affected by FISE's resource mobilization efforts. FISE mobilized external funding of US\$86.1 million for the period January 1993 to September 1996. At appraisal, the target for external funding was US\$58.6 million, including IDA financing. FISE received commitments of US\$91.9 million in multi-lateral and bilateral support from IDA, four co-financiers, and two additional funding sources (Table A6b).⁹ The projected GON contribution was US\$6.3 million, compared to the actual contribution of US\$15.1 million through September 1996. At appraisal, the FISE project cost was estimated at US\$64.5 million (Table A6a). The project cost through September 1996 was US\$102.4 million, including part of the cost of SIF II. Additional resources led to an increase in subproject financing from US\$60.5 million to US\$91.7 million.

Project Results

10. FISE's investment in social infrastructure made an important contribution to meeting the needs of the poor by improving the coverage and conditions of social services delivery. FISE financed 1,454 subprojects, including the repair or remodeling of 969 primary and pre-primary schools, 77 secondary schools, 250 health posts, and 51 health centers; other subproject types were homes for the elderly and shelters, child centers, potable water, and sewerage (Table B5). FISE financed 1,612 social services subprojects, including 757 for education equipment, 364 for health equipment, and 320 latrine subprojects. Financing was also provided for 450 community training subprojects. In economic infrastructure, FISE financed 261 subprojects, including 198 road improvement and 31 drainage subprojects, as well as slaughterhouses, municipal markets, and bridges.

⁸ The difficulties include identifying NGOs with experience in subproject types (training), the fact that NGOs which formulate subprojects cannot execute them, and until recently, the lack of an approach to enhance NGO participation.

⁹ The principal sources of external financing included: (a) IDA Credit 2434-NI of US\$25.1 million and Credit 2767-NI of US\$5.3 million; (b) co-financing of US\$34.3 million from IDB, the equivalent of US\$13.8 million from the Government of Germany (KfW), the equivalent of US\$7.5 million from the Government of Switzerland; and (c) US\$5.8 million from the Government of Sweden and USAID. The initial Swiss contribution of the equivalent of US\$3.5 million was financed *pari pasu* with the credit, and managed by IDA.

11. FISE's participation in social sector spending was significant. Between 1991 and July 1996, FISE's participation rose from US\$10.5 million to US\$31.7 million, averaging 17 percent of total social sector investment (Table B6). FISE accounted for 54 percent of education and 28 percent of health expenditures.

12. **Beneficiaries.** Based on ex-ante subproject appraisal data, FISE estimated that about 6.3 million persons benefited from 3,792 subprojects through July 1996.¹⁰ Also, beneficiaries' contribution to subprojects was estimated at US\$3.1 million. However, FISE did not monetize contributions, which included donations of land and materials. A recent evaluation found that beneficiaries were generally pleased with subprojects, but while beneficiary participation was relatively high in subproject identification, it was absent for the most part during subproject execution and maintenance, reflecting a lack of commitment on the part of the communities.¹¹ FISE is in the process of developing a social communication strategy to increase beneficiary participation in the full subproject cycle and to establish community subproject maintenance committees.

13. **Employment Generation.** Based on ex-ante subproject appraisal data, a total of 184,706 months of temporary employment was generated by FISE-financed subprojects. Estimated average monthly earnings per worker on a FISE-financed subproject were US\$70.

14. **Gender Concerns.** Significant resources were directed to women. Women's participation was estimated at above 50 percent in education subprojects (74% of social infrastructure investment), and 65 percent in health subprojects (13% of investment). An estimated 5 to 10 percent of subproject contractors were women.

15. **Environmental Considerations.** FISE has applied environmental impact criteria to subprojects, as required by the Operational Manual approved by IDA. Recently, FISE approved the creation of an environmental unit within the Evaluation Department. Under SIF II, supported by technical assistance, the coverage of subprojects requiring environmental assessments will be expanded, procedures will be simplified; and the menu of environmental subprojects will be enhanced.

Institutional Development

16. **FISE.** FISE's institutional development was substantial. Institutional development followed three distinct phases. In the first phase (1991-1992), the principal concern was rapid subproject financing and disbursement for employment creation due to post-war conditions, in addition to resource mobilization. The second phase (1993-1994) was a period of institutional capacity-building, coupled with an increase in subproject financing due to additional external resource mobilization. FISE improved procedures and systems (financial, administrative, auditing, contracting, data management, planning). In the current phase (1995-1997), FISE is consolidating institutional gains, while seeking to improve monitoring and evaluation; poverty targeting; social sector coordination; municipal, NGO, and local government participation; subproject maintenance and sustainability; and environmental actions.

¹⁰ FISE calculated that various persons benefitted from two or more subprojects.

¹¹ M. Goodman and V. Blum. "Evaluación Ex Post del Fondo de Inversión Social de Emergencia (FISE) de Nicaragua, Préstamo 729/OC-NI," IDB, June 1996.

17. **Ministries of Health and Education.** The project included two technical assistance components to the Ministries of Health (MINSA) and Education (MED) to strengthen their capacity to plan and prepare subprojects and to support general institutional strengthening toward sector reform. As of August 31, 1996, the Credit had disbursed US\$1.2 million to MINSA and MOE for technical assistance (Table B7). MINSA benefited from help with sector modernization, project preparation, strengthening of its monitoring and evaluation system, decentralized financing, and legalization of health facility properties, among others. MED was strengthened through assistance in the design of a supervision system, educational materials, and facility maintenance manuals; support for the Basic Education Project (Cr. 2689-NI), including the project preparation unit; and legalization of education facility properties. Sixty percent of education facilities obtained legal titles under the component.

18. However, the achievement of the project objective to transfer FISE experience and its methods of operations and procedures to social ministries to help them improve their efficiency and equity of service delivery was somewhat disappointing. MED appears to have profited more than MINSA. MED uses FISE's poverty map and cost system, is connected by modem to FISE, and received training in the FISE subproject cycle. The transfer of FISE experience was limited by personnel turnover in both ministries, which also caused delays in some FISE-financed activities, and by the absence of a detailed agreement on how to achieve the transfer of experience, including whether this was an objective of the ministries. The fact that FISE was originally scheduled to end in December 1995 also impeded the transfer of experience.

19. **Municipalities.** FISE helped municipalities to improve their skills in subproject identification, preparation, and contracting through promotion activities, seminars, and training. Municipalities' experience with FISE norms and procedures was particularly useful in the areas of costs and efficiency. In the 1995-1997 period, FISE will further assist capacity-building in municipalities.

Private Sector Development

20. While not a stated project objective, private sector development was one of FISE's objectives, and its achievement was substantial. FISE invested approximately US\$0.5 million in the private sector on a weekly basis. Its contribution to the construction, private banking, and insurance sectors was significant in terms of investment, growth, and human resources development. FISE investment in infrastructure was about 19 percent of GDP for construction from 1991 to 1996 (Table B8). It approved financing of US\$97.7 million (82% of total) for 2,956 subprojects executed by 116 construction firms and 951 independent contractors (Table B9). When FISE began operations, there were few qualified contractors due to the reduction of the private sector under the previous regime; the first contractors were schoolteachers, drivers, metal workers, etc. Over time, FISE refined contractor and subproject eligibility criteria. Through experience with FISE, contractors' technical and administrative skills improved. In September 1996, 2,600 contractors were registered with FISE, and 400 were executing subprojects. FISE's external subproject supervisors also come from the private sector.

21. FISE stimulated private sector manufacturing through the demand generated for construction materials by FISE-financed subprojects. In 1991, the sole source of street paving stones and bricks was the state. Today, private sector manufacturers produce needed construction materials (paving

stones, brick, floor tiles, tubing), with the exception of cement production which is a state-owned enterprise. FISE-financed subprojects have also influenced the growth of transport.

22. FISE had a significant impact on private banking and insurance companies. FISE's own accounts are held in private banks.¹² Required contractor construction guarantees purchased from private banks and insurance companies were 2.5 percent of total approved subproject costs, or about US\$3.0 million, substantial by Nicaraguan standards. In September 1996, FISE planned to make contractor payments directly to private banks through transfers, contributing to further financial sector development, as well as to contractor financial management experience.

23. FISE has had a relatively small impact on the non-profit sector, although non-governmental organizations (NGOs) sponsored, executed, and formulated social services subprojects. From 1991 to July 1996, FISE approved financing of US\$3.6 million (3% of total) for 535 subprojects executed by NGOs and financing of US\$8 million (7% of total) for 120 subprojects sponsored by NGOs (Table B10). In August 1995, NGOs had formulated 615 subprojects in the amount of US\$1 million. NGO participation was limited for a variety of reasons;¹³ however, FISE continues to make efforts to increase their participation, and organized a special FISE-NGO seminar in October 1996.

Living Standards Measurement Survey (LSMS)

24. The project included a component to provide technical assistance to INEC to implement a LSMS program and analyze its results.¹⁴ The LSMS was successfully completed in 1993. Survey results have been used to assist the GON, IDA, and other donors to refine and strengthen the design of poverty reduction policies and programs. FISE is using survey data to revise its geographic targeting.¹⁵ SIF II will finance a complementary second round survey to help further institutionalize LSMS work in the GON.

Project Design

25. The project design was appropriate to achieving project objectives; it incorporated the standard features of social investment funds, which are well-tested. The technical assistance components were complementary to the principal subproject investment component. FISE has functioned well, and has met the targets established at appraisal. But the question of future absorptive capacity arises not only in relation to FISE's institutional capacity, but also with respect to FISE-generated demand for

¹² Prior to Credit 2434-NI, FISE accounts were held in a state bank.

¹³ For example, NGOs that formulate subprojects are not eligible to execute them, even though they may have comparative advantages given their technical expertise and knowledge of and experience in communities in a specific geographical area. In addition, Nicaragua's recent history may have created some sensitivities regarding the role of some NGOs, which were closely associated with the earlier regime.

¹⁴ In addition to IDA, the survey was supported by SIDA, UNDP, UNICEF, USAID, and the GON.

¹⁵ See Gustavo Arcia, Hector Mendoza, and Ronaldo Iachan. *"Mapa de Pobreza Municipal de Nicaragua, Informe presentado al Fondo de Inversión Social de Emergencia,"* February 1996.

contractors and construction materials should external financing continue to increase. Subproject financing pressures may account in part for shortcomings in project implementation (paras. 42-44 and 47).

MAJOR FACTORS AFFECTING THE PROJECT

Factors Not Generally Subject to Government Control

26. Subproject implementation was partially affected by the variable supply of construction materials, poor quality materials, adverse weather conditions, and the presence of irregular, armed groups in subproject areas. FISE-generated demand for wood, concrete blocks, and bricks often exceeded local manufacturing capacity. The absence of a regulatory entity for construction materials resulted in the use of poor quality materials in some subprojects.¹⁶ The 1995 rainy season washed out access roads in areas where subprojects were located; materials could not be transported, and subproject execution was halted for a period of about three months. The rains also affected brick manufacture which delayed construction of schools and health facilities. Irregular, armed groups in the central and northern areas of the country menaced laborers, assaulted contractors, threatened FISE personnel, and detained and burned vehicles, with the result that laborers stopped working; subprojects were halted until the groups moved to a different area. All subprojects in these areas were variously affected.

27. In the early years, the municipalities' weak capacity to identify, sponsor, prepare, and supervise subprojects caused delays. FISE continues to provide technical assistance to municipalities, and their performance has improved. Although not a major factor, the fact that some contractors' poor planning and financial management abilities delayed subproject execution is cited because of the potential impact of contractor capacity on future FISE subprojects.¹⁷ FISE might profit from a closer look at overall contractor absorptive capacity in relation to future demand.

28. Project implementation was partially delayed from February to August 1994, while FISE waited for a response to its request to adjust aggregate limits for different methods of procurement under the IDA Credit.¹⁸ The delay coincided with the lack of a project task manager from May to August 1994. An amendment to the Credit was approved in August 1994.

¹⁶ Prior to 1972, the Ministry of Construction set standards and certified the quality of materials. The ministry was closed in 1972, and its regulatory functions were not transferred to another government agency.

¹⁷ Some contractors who did not have sufficient resources purchased required insurance with money borrowed at high interest rates from informal lenders. The initial 20 percent FISE contract advance was used to repay the lender; consequently, subproject execution began with an estimated 60 percent of the advance, which was inadequate to purchase needed materials.

¹⁸ In February 1994, FISE was close to reaching the thresholds for IDA direct contracting and local shopping amounts, and requested approval to adjust aggregate limits (increase direct contracting from US\$3.4 million to US\$7.0 million and local shopping, from US\$3.5 million to US\$7.8 million; as well as decrease public bidding from US\$17.5 million to US\$10.0 million).

Factors Generally Subject to Government Control

29. From August to December of 1993, project implementation was partially affected by the failure of GON to provide counterpart funding of US\$0.9 million to FISE.¹⁹ Approved subproject execution was delayed for lack of financing. Since 1993, the Government has met its commitment of 10 percent of project costs.

Factors Generally Subject to FISE Control

30. The ability of FISE to attract donor funding had a substantial, positive effect on the achievement of the project objective; the increase in external financing led to a 265 percent increase in approved subproject financing for the period January 1993 through July 1996.

31. Factors that partially constrained FISE's operational efficiency included overlapping Executive Director and Chairman of the Board activities, which could be overcome by greater clarity of functions. Coordination among departmental directors was distant; closer communication is needed. The use of technical assistance was uneven, and could be improved by interdepartmental evaluation of expected results against planned inputs. In addition, the deterioration in FISE's vehicle pool caused delays in subproject supervision by FISE supervisors. This problem was solved by contracting external supervisors and through the purchase of new vehicles.

32. The Credit became effective in June instead of March 1993, as anticipated, because of a change in Chairman of the Board of FISE and, delays in obtaining the subsidiary agreement and the legal opinion.

PROJECT SUSTAINABILITY

33. The continued existence of FISE and sustainability of project investments are likely, given the GON's commitment to poverty alleviation, maintenance of the social safety net during continuing adjustment, and protection of social spending from fiscal austerity. Project sustainability is also supported by the follow-on SIF II project, which became effective on April 30, 1996. This project contributes to sustainability through institutional strengthening activities and subproject investment (para. 52). A study to determine whether to continue FISE beyond December 1997 concluded that the most viable option would be to continue FISE as a five-year, renewable term institution that would maintain its standard operating procedures and norms, poverty targeting for resource allocation, and would strengthen and transfer experience to social ministries and municipalities through programmed actions.²⁰

¹⁹ FISE became part of the GON budget for the first time in 1993; the delay in counterpart funding was caused by a programming problem.

²⁰ Ema Budinich B. and Rodrigo Ubilla M. "Rol Futuro del FISE, Informe de Termino de la Consultoría," Managua, February 1996.

34. Subproject sustainability is still problematic. FISE did structure investments with a view toward low recurrent costs (e.g. school desks, rehabilitation of existing social infrastructure), and sought guarantees from the social ministries to cover recurrent expenditures. The mid-term review did not report on subproject sustainability problems, but noted that FISE was taking the first steps to ensure water and sewerage subproject sustainability.²¹ Nonetheless, subproject sustainability, including operations and maintenance, is a serious issue, which was initially underestimated. Efforts currently underway include the establishment of local committees to maintain and help run schools and health centers and financing of committee training and the preparation of maintenance manuals for committee use. Also, a maintenance fund is currently being established with the support of IDB. Subproject sustainability depends not only on FISE, but also on the social ministries, municipalities, and communities. In this regard, FISE should provide strong leadership supported by concrete actions equal to those applied to subproject financing.

IDA PERFORMANCE

Identification

35. IDA performance in project identification was highly satisfactory. The project was consistent with both IDA's country assistance strategy to help alleviate poverty through a lending program directed at the social sectors and targeted at the poor, and the GON strategy to alleviate poverty and improve living conditions through, among others, maintaining social safety net programs.

Preparation Assistance

36. IDA performance in assisting FISE with project preparation was highly satisfactory.

Appraisal

37. IDA performance in project appraisal was highly satisfactory. Correct appraisals were made with respect to government commitment, FISE's implementing capacity, and recognition of project risks. Eighteen key performance indicators were defined for the monitoring and evaluation of subproject promotion, appraisal, and supervision; these were subsequently refined and expanded (Table A5a). The indicators were useful for both FISE monitoring and IDA supervision purposes. From appraisal through Board approval, total staff weeks numbered 129.

Supervision

38. IDA supervision was satisfactory. Project implementation progress was adequately reported. However, IDA advice was inconsistent on two subjects. First, FISE was advised to publish the periodically adjusted subproject unit costs and complied; subsequently, FISE was informed that this action was in violation of the agreed procurement guidelines. Second, FISE was advised to include depreciation costs in administrative costs; this advice was later changed. IDA follow-up on FISE's request to adjust aggregate limits for different methods of procurement was delayed by the transition

²¹ World Bank. Mid-Term Review, Nicaragua, Social Investment Fund Project, December 5, 1994.

between task managers. FISE's view was that IDA supervision improved over time, and that continuity in IDA staff and consultants is very important. Total staff weeks for supervision numbered 109, partly overlapping with the preparation, appraisal, and supervision of SIFID) averaging some 26 staff weeks per year.

BORROWER PERFORMANCE

Preparation

39. FISE's performance in project preparation was highly satisfactory. The quality of technical, financial, institutional analyses, and other inputs was very high, and FISE management showed an unequivocal commitment to the project.

Implementation

40. Overall, FISE's implementation performance was satisfactory. Implementation complied with the Credit Agreement in its fundamental aspects. FISE's project administration was efficient, management was effective, and operational efficiencies were attained in the subproject cycle. A few shortcomings were found with respect to expected improvements in the subproject menu, subproject processing time, the incorporation of social objectives, and the application of contracting procedures for local competitive bidding, as well as technical assistance funded under the credit. However, these did not significantly affect the overall achievement of development results.

41. **Subprojects.** Subproject status and average cost were satisfactory. From 1991 through July 1996, FISE approved 4,791 subprojects in the amount of US\$120.8 million (Table B11). Sixty-nine percent of subprojects were completed, 17 percent were under execution, 13 percent were in the process of being contracted, and 1 percent were canceled. In 1991, the average subproject cost was US\$39,074 (social infrastructure, US\$35,660; economic infrastructure, US\$73,167; social services, US\$8,397). Through July 1996, the cumulative average cost was US\$33,627 (social infrastructure, US\$45,705; economic infrastructure, US\$75,942; social services, US\$11,507; community training, US\$1,355). Excluding community training, the average cost was US\$44,384.

42. The standardized subproject menu consisted of 28 subproject types. FISE expanded the social services subproject menu, as agreed at the mid-term review, but subproject preparation and execution were troublesome due to difficulties surrounding NGO participation, a delay on the part of MED in approving a list of school text and library books, and a delay in purchasing health facility equipment. The latter two delays were overcome, and FISE will hold a seminar for NGOs in December 1996 to further their participation. The new nutrition program subproject type has yet to be implemented. Also agreed at the mid-term review was increasing investment in water and sanitation subprojects, which were one percent of total amount for social infrastructure subprojects under contract through July 1996 (Table B12). FISE delayed starting a program of detailed feasibility studies; there was a scarcity of qualified water and sanitation specialists to conduct such studies, and the Nicaraguan Institute for Water and Sewerage (INAA) and FISE were unable until recently to reach agreement on key issues regarding subprojects in dispersed, rural areas, where the need is greatest. Social infrastructure investment was skewed toward education (74% of total); and it is suggested that FISE review sector demand.

43. **Subproject Cycle.** FISE made several improvements in the subproject cycle, in particular in planning, promotion, and supervision. It has sought mechanisms to establish a formal role for communities in the subproject cycle, especially subproject identification.²² This process is ongoing. Subproject appraisal has improved, as evidenced by the decrease in the difference between subproject appraisal costs and contract amounts from 13 percent to 7 percent since 1994, compared to the target of 10 percent or less. In this regard, FISE's system of standard unit regionalized prices has worked well.²³ To ensure both subproject completion and quality, FISE established the additional criterion that price quotations and bids must cover at minimum the appraisal amount for subproject direct costs. Through 1995, subproject supervision was conducted by the subproject sponsor and FISE supervisors. Supervision was deficient because sponsor supervisors changed frequently, and FISE supervisors were overburdened. In 1995, FISE began to contract external supervisors; a quick assessment indicated that subproject supervision is satisfactory.²⁴ In August 1996, the ratio of FISE supervisors to the number of subprojects was 1 to 25. Average subproject execution time was 125 days, which parallels that of other social investment funds. The average time for subproject processing (promotion to completion) was 401 days, which indicates that bottlenecks in the subproject cycle are a continuing problem that needs to be addressed.

44. The incorporation of social objectives and new work areas in the subproject cycle was slower than expected, and the impact of these added responsibilities on FISE's institutional capacity was not fully taken into account. While maintaining the original emphases on operational efficiency and securing additional financing, other considerations were added: subproject quality, maintenance, and sustainability; environment; greater attention to community, NGO, and local government participation; and impact evaluation. FISE lacked the specialized knowledge to address certain areas (e.g., environment, water and sanitation), and required technical assistance. The contribution of the social ministries, with far greater knowledge of and experience in social programs, was constrained by their own problems and focus on reform efforts. The result was that FISE's institutional capacity was strained.

45. **Administration.** FISE-financed subprojects were implemented efficiently. Total administrative costs represented about 10 percent of total disbursements, in keeping with other social investment funds (Table B13). FISE administration and operations improved through the acquisition of additional office space and the purchase of computers, equipment, and vehicles.

46. **Management and Staff.** The high quality and continuity of the management team, and FISE staff in general, has been an essential factor in FISE's success, to the extent that FISE has served as a

²² See Félix Jiménez and Flor de María Monterrey. "Consultoría sobre la Participación de los Beneficiarios en los Proyectos del FISE, III Taller: Síntesis de Mecanismos de Participación Comunitaria en los Proyectos del FISE, Memoria," Managua, June 1996.

²³ Updated regularly, the FISE cost system is based on prices in each of 17 departmental capitals, a Nicaragua Construction Council cost study, and on-site cost analysis. The system is revised immediately upon currency devaluation and changes in fuel costs.

²⁴ Gloria Elizabet Urquía B. "Informe de Consultoría, Misión de Supervisión AIF, Proyectos Fondo de Inversión Social de Emergencia I y II, Créditos 2343 y 2767-NI," September 9, 1996.

model for other SIFs. FISE has hosted study tours for several Latin American SIFs, as well as those in Mongolia, Cambodia, and Vietnam. Uneven team coordination has detracted somewhat from this success. In July 1996, FISE had a total of 146 staff (12 management, 72 professional, 62 support), which compared favorably with that of other SIFs (Table B14).

47. **Procurement.** Simplified procurement procedures helped expedite subproject approval and disbursements.²⁵ From 1993 to August 1996, direct contracting²⁶ and local shopping were 57 percent of total contract amounts (31% and 26%, respectively), compared to the appraisal estimate of 37 percent (Table B15).²⁷ National competitive bidding (NCB) was 43 percent, compared to the appraisal estimate of 67 percent. The sizable use of direct contracting was due mostly to the fact that FISE transferred the responsibility of NCB to subproject sponsors in September 1993. This change resulted in significant contracting delays because sponsors were not familiar with FISE's NCB procedures. In response, FISE strengthened its contracting department, and provided technical assistance to subproject sponsors. Direct contracting was expedient, but did not convey transparency of FISE operations as did local shopping and NCB. FISE's projections for 1996 are that direct contracting and local shopping will be 44 percent (14% and 30%, respectively) and NCB will be 56 percent of total contract amounts.

48. **Disbursements.** The Credit was to be disbursed over a period of two and one-half years, to be completed by June 30, 1995. Total FISE disbursements from 1991 through July 1996 were US\$116.92 million, compared to total approved financing of US\$119.6 million. Initial disbursements were slower than expected, because of the delay in effectiveness; subproject sponsors had limited experience with NCB; and FISE's supervision department did not sufficiently pressure contractors to complete subprojects on time. As of September 30, 1995, all of the funds available for subprojects were fully committed. The closing date was extended from December 31, 1995 to June 30, 1996, and again by three months from June 30, 1996 to September 30, 1996, to allow for final commitment and payment of the Credit.

49. **Use of Technical Assistance.** FISE obtained technical assistance of US\$130,373 for various institutional strengthening activities, including the re-design of the financial accounting system, the preparation of a contracting manual, and the development of a strategy for the implementation of water and sanitation subprojects in dispersed, rural areas (Table B16). FISE reported that 25 percent of planned technical assistance did not materialize due to delays in developing terms of reference, the lack of an institutional locus for technical assistance, and disparate views on whether planned technical assistance could effectively meet institutional needs without unduly burdening FISE.

²⁵ By law, FISE is exempt from the standard state system of purchasing goods and services for subprojects financed by FISE; purchases are regulated in accordance with the FISE Procurement Manual which follows IDA procedures.

²⁶ Direct contracting below US\$30,000 was applied for the execution of subprojects in remote locations, where no more than one contractor was expected to show interest; this was later raised to US\$50,000.

²⁷ Based on actual data for the period January 1993 through August 1996, and projections for the period August to December 1996. Data not available for 1991-1992.

50. **Covenant Compliance.** Compliance with special covenants was satisfactory. Special covenants were mainly limited to procedural issues: (a) minimum allocation of counterpart funds, (b) FISE to carry out municipalities targeting plan, (c) FISE not to approve subprojects in Managua with cost exceeding 18 percent of total funds available and subprojects in other medium poverty municipalities with cost exceeding seven percent of total funds available, (d) FISE to furnish to IDA no later than six months after the end of each fiscal year a copy of annual audit report, and (e) FISE to furnish to IDA no later than two months after the end of each quarter a copy of quarterly audit report (Table A7). Apart from (e), which has still not been met, all conditions were met substantially without undue delays.

ASSESSMENT OF OUTCOME

51. As detailed in the preceding paragraphs, the overall project outcome was satisfactory. The achievement of the major objectives was substantial, with only a few shortcomings. Subject to further progress on subproject sustainability, project sustainability is likely.

FUTURE OPERATION

52. SIF II supports the FISE investment program for the period 1995-1997, as well as an institutional strengthening component to improve its capacity to help prepare water and sanitation subprojects and to improve its environmental assessment procedures, and a LSMS component to assist the GON in implementing a second round of the survey conducted under the first project and to further institutionalize LSMS within the GON.²⁸ FISE has an agreed program and budget for 1995-1997. The indicators by which the project can be monitored and evaluated include a full set of performance and impact indicators that cover the efficiency and quality of FISE subprojects, the administration and financial efficiency of FISE, the focus of FISE investments, and the impact of FISE subprojects (Table A5b). The issues discussed in this report will be further addressed during the implementation of SIF II.

KEY LESSONS LEARNED

53. FISE has succeeded through the effective and efficient application of standard SIF procedures and methods, which are well-tested and proven, and owes its success to good management and the ability to attract donor financing. This has been helped by the introduction of an excellent planning mechanism.

54. Successful achievement of social objectives and implementation in new work areas depend on institutional commitment, effective technical assistance that responds to FISE's special needs (e.g., rapid execution), productive partnerships with the social ministries, and the correct assessment of the impact of additional work on institutional capacity. Both FISE and donors should give more attention to the impact of added responsibilities on the institution. This could be accomplished by planning for the achievement of social objectives in the context of overall operations and goals, and conducting an annual review of institutional impact and progress toward social objectives.

²⁸ In addition, IDB loan 935/SF-NI provides financing for FISE subprojects, institutional strengthening in the areas of internal management and subproject promotion, and a preventive maintenance fund component for health and education subprojects.

55. The transfer of FISE's experience and methods of operation and procedures to social ministries to help them improve their efficiency and equity of service delivery was only partially achieved because the transfer was not defined, and the objectives of the ministries were not sufficiently analyzed as to how FISE could be of assistance. Given FISE's six years of experience, it is now opportune for FISE, the ministries, and the municipalities to begin to concretely define and plan for the transfer of experience. This would signal a further evolution in social investment funds. IDA and other multilateral and bilateral donors may wish to support this effort through their sector work, in addition to social investment fund projects.

56. And finally, NGOs have to play a substantial role in facilitating community involvement throughout the project cycle. Even though Nicaragua's recent history may have created some sensitivities regarding the role of some NGOs, a more substantial effort to exploit the knowledge and experience of NGOs would have been advisable.

Part Two: Statistical Data

A. General Statistical Data

Table A1:	Summary of Assessments
Table A2:	Related IDA Loans/Credits
Table A3:	Project Timetable
Table A4:	Credit Disbursements: Cumulative Estimated and Actual
Table A5a	Key Indicators for Project Implementation (Credit 2434-NI)
Table A5b:	Key Indicators for Project Implementation (Credit 2767-NI)
Table A6a:	Project Costs
Table A6b:	Project Financing
Table A7:	Status of Legal Covenants
Table A8:	IDA Resources: Staff Inputs
Table A9:	IDA Resources: Missions

B. FISE Project Data

Table B1:	Comparison between Planned and Committed Resources by Municipal Poverty Category, 1991 through July 1996
Table B2:	FISE Approved Subproject Financing by Municipal Poverty Category, 1991 through July 1996 (US\$ million)
Table B3:	FISE Approved Subproject Financing by Municipal Poverty Category, 1991 through July 1996 (percent)
Table B4:	FISE Disbursements by Sector, 1991 through July 1996
Table B5:	Number of FISE Subproject Beneficiaries, Employment Generated, and Average Subproject Cost, 1991 through July 1996
Table B6:	FISE Participation in Social Sector Expenditures, 1991 through July 1996
Table B7:	Technical Assistance to the Ministries of Health and Education
Table B8:	FISE Participation in the Gross Domestic Product (GDP), 1991 through June 1996
Table B9:	Distribution of Number and Amount of Approved Subprojects by Type of Executing Agency, 1991 through July 1996
Table B10:	Distribution of Number and Amount of Approved Subprojects by Type of Subproject Sponsor, 1991 through July 1996
Table B11:	Number and Amount of Approved Subprojects by Subproject Status, 1991 through July 1996
Table B12:	Types of Subprojects under Contract by Number and Amount, 1991 through July 1996
Table B13:	Amount and Uses of Funds by Year, 1991 through July 1996 (US\$ million)
Table B14:	FISE Staffing, 1991 through July 1996
Table B15:	FISE Procurement Methods by Type, 1993 through 1996
Table B16:	Studies and Technical Assistance Included in the Project

NICARAGUA
SOCIAL INVESTMENT FUND PROJECT
(CREDIT 2434-NI)

Table A1: Summary of Assessments

A. Achievement of objectives	Substantial	Partial	Negligible	Not applicable
Macroeconomic policies				X
Sector policies				X
Financial objectives				X
Institutional development	X ^a	X ^b		
Physical objectives	X			
Poverty reduction	X			
Gender concerns		X		
Other social objectives				X
Environmental objectives		X		
Public sector management		X		
Private sector development	X			

B. Project sustainability	Likely	Unlikely	Uncertain
	X		
C. IDA performance	Highly Satisfactory	Satisfactory	Deficient
Identification	X		
Preparation assistance	X		
Appraisal	X		
Supervision		X	
D. Borrower performance	Highly Satisfactory	Satisfactory	Deficient
Preparation	X		
Implementation		X	
Covenant compliance		X	

E. Assessment of outcome	Highly Satisfactory	Satisfactory	Unsatisfactory	Highly Unsatisfactory
		X		

^a - For FISE

^b - For MED and MINSA

NICARAGUA
SOCIAL INVESTMENT FUND PROJECT
(CREDIT 2434-NI)

Table A2: Related IBRD Loans and IDA Credits

Credit No. and Project Name	Purpose	Year of Approval	Status
Health Sector Reform (Cr. 2556-NI)	Health sector reform	FY93	Ongoing
Basic Education (Cr 2689-NI)	Basic education strengthening	FY95	Ongoing
Second Social Investment Fund (Cr. 2767 - NI)	Continuation of FISE activities	FY96	Ongoing
Rural Municipalities (Cr. 2918-NI)	Reduction of rural poverty	FY97	Ongoing

**NICARAGUA
SOCIAL INVESTMENT FUND PROJECT
(CREDIT 2434-NI)**

Table A3: Project Timetable

Steps in Project Cycle	Planned Date	Actual Date
Identification	April 1992	April 1992
Preparation	April 1992	April 1992
Appraisal	June 1992	June 1992
Negotiations	October 1992	October 1992
Board Presentation	November 1992	November 1992
Signing	January 1993	January 1993
Effectiveness	March 1993	June 1993
Midterm Review	February 1994	April 1994
Project Completion	December 1994	September 1996
Loan Closing	December 1995	September 1996

Table A4: Credit Disbursements: Cumulative Estimated and Actual

	1993	1994	1995	1996	1997
Appraisal Estimate (USSM)	5.0	18.0	25.0		
Actual (USSM)	0.0	8.8	19.0	23.4	25.1
Actual as % of estimate	0.0	48.8	74.8	93.9	100.0
Date of final disbursement					Dec. 6, 1996

NICARAGUA
SOCIAL INVESTMENT FUND PROJECT
(CREDIT 2434-NI)

Table 5A: Key Performance Indicators for Project Implementation (Credit 2434-NI)
FISE Work Program
January 1993 to December 1994

Indicator	Objective	Target Jan 93 to Dec 94	Actual Dec 94	%
1. Number of subproject requests	Determine actual demand for FISE's financing and estimate FISE's promotion capacity	2,000	3,727	186
2. Number of subprojects appraised	Determine FISE's appraisal capacity	1,600	3,045	190
3. Number of evaluators	Assure that FISE has enough professionals	10	12	83
4. Number of subprojects appraised by evaluator	Determine FISE's marginal evaluation capacity	160	253	159
5. Number of subprojects approved	Determine relationship of projects approved to projects appraised	1,569	2,448	156
6. Total cost of subprojects approved	Determine FISE's project processing capability	US\$60 million	US\$50.20 million	84
7. Percentage of total cost of projects approved in municipalities with extreme poverty	Ascertain FISE's reaching targeting objectives	20%	18%	90
8. Percentage of total cost of projects approved in municipalities with high poverty	Ascertain FISE's reaching targeting objectives	57%	62%	108
9. Percentage of total cost of projects approved in municipalities with medium poverty	Ascertain FISE's reaching targeting objectives	23%	20%	88
10. Percentage of total cost of projects approved in Managua (part of medium poverty municipalities)	Ascertain FISE's reaching targeting objectives	16%	12%	72

Indicator	Objective	Target Jan 93 to Dec 94	Actual Dec 94	%
11. Number of subprojects with financing contract/Number of subprojects approved	Determine possible bottlenecks in procurement procedures	0.70	0.67	96
12. Time span (days) between contract signing and first disbursement	Determine possible bottlenecks in the supervision or administration department	5	15	293
13. Number of subprojects started	Determine FISE's production capacity	1,133	2,177	188
14. Total cost of subprojects started	Determine FISE's production capacity	US\$40 million	US\$40.67 million	
15. Number of subproject contracts above the appraised cost base	Ascertain how close appraisal cost estimates are to reality (see indicator No. 19)	<10% of total subproject contracts (N164)	587	357
16. Accumulated disbursements for the period	Determine execution levels, balance to be disbursed and general FISE capacity to disburse in a given time period	US\$40 million	US\$36.02 million	90
17. Percentage of total disbursements to total commitments	Determine execution levels, balance to be disbursed and general FISE capacity to disburse in a given time period	53%	91%	172
18. Number of subprojects in actual execution/Number of supervisors	Determine FISE's capacity to handle its current commitments (see indicators Nos. 21, 22, 23)	30	22	73
19. Percentage of total cost of subprojects contracted over appraised cost base	Ascertain how close total cost estimates are to reality	<10%	13%	129
20. Percentage of subproject contracts modified because of cost overruns	Determine % of modified contracts because of cost overruns due to exogenous variables or under estimated appraisal cost	<10%	17%	168
21. * Number of subprojects in actual execution	Determine how close FISE's installed capacity for subproject supervision is to reality	450	330	73

Indicator	Objective	Target Jan 93 to Dec 94	Actual Dec 94	%
22. * Total cost of subprojects in actual execution	Determine how close total cost estimates of subprojects handling capacity are to reality	US\$14.85 million	US\$10.89 million	73
23. * Percentage of subprojects in actual execution w/original contracted execution time overdue	Determine possible bottlenecks in supervision department subprojects on critical path	<10%	74%	742
24. Number of subprojects completed	Determine the relationship of subprojects completed to subprojects started that should have been completed as scheduled	908	1,302	143
25. Total cost of completed subprojects	Determine total cost of completed subprojects	US\$30 million	US\$28.61 million	95
26. Average execution time of finished subprojects (days)	Determine possible bottlenecks in supervision departments	95	84	89

* Does not include 34 subprojects canceled with a total cost of US\$1.4 million.

Note: The key performance indicator format used by FISE states the database by which each indicator is verified.

NICARAGUA
SOCIAL INVESTMENT FUND PROJECT
(CREDIT 2434-NI)

Table A6a: Project Costs
January 1993 - September 1996

Item	Appraisal Estimate (US\$ million)			Actual (US\$ million)		
	Local Cost	Foreign Costs	Total	Local Costs	Foreign Costs	Total
I. FISE						
A. Subprojects						
1. Social infrastructure	23.3	10.0	33.3	61.8	0.0	61.8
2. Economic infrastructure	11.4	2.8	14.2	8.4	0.0	8.4
3. Social Services	10.3	1.8	12.1	19.7	0.0	19.7
4. Community Training	0.5	0.4	0.9	1.9	0.0	1.9
Subtotal	45.5	15.0	60.5	91.7	0.0	91.7
B. Operating Costs						
1. Salaries and social benefits	2.2	0.0	2.2	5.7	0.0	5.7
2. Travel and per diem	0.0	0.3	0.3	0.0	0.1	0.1
3. Office expenses	0.7	0.0	0.7	2.8	0.0	2.8
4. Transport	0.2	0.2	0.3	0.3	0.3	0.6
5. Rent, maintenance, etc.	0.2	0.1	0.5	0.4	0.2	0.6
6. Utilities	0.0	0.0	0.0	1.0	0.0	1.0
Subtotal	3.5	0.5	4.0	10.1	0.6	10.7
TOTAL FISE	49.0	15.5	64.5	101.8	0.6	102.4
II. LSMS and FISE Impact Evaluation	0.7	0.2	0.9	0.2	3.1	3.3
III. Technical Assistance for MOH and MOE	0.4	1.4	1.8	0.0	1.4	1.4
IV. Technical Assistance for Social Sector Reform Management	0.2	0.6	0.8	0.0	0.0	0.0
Total (1)	50.7	17.7	68.0	102.0	5.0	107.0

(1) Net of taxes and duties.

Source: FISE Dirección Financiera Administrativa, 01/24/97.

Note: Totals may not add due to rounding

NICARAGUA
SOCIAL INVESTMENT FUND PROJECT
(CREDIT 2434-NI)

Table A6b: Project Financing
January 1993 - September 1996

Source	Appraisal Estimate (US\$ million)			Actual/Latest Estimate (US\$ million)		
	Local Cost	Foreign Costs	Total	Local Costs	Foreign Costs	Total
IBRD/IDA (Cr. 2434-NI)	18.2	6.8	25.0	22.4	2.7	25.10
IBRD/IDA (Cr. 2767-NI)				5.2	0.1	5.3
Cofinancing Institutions						
IDB (1)	10.4	5.6	16.0	33.8	0.5	34.3
Government of Germany-KfW (2)	9.0	4.0	13.0	13.0	0.8	13.8
Government of Switzerland (3)	2.5	1.0	3.5	7.2	0.3	7.5
UNDP	0.3	0.1	0.4	0.0	0.0	0.0
Government of Japan	0.5	0.2	0.7	0.0	0.0	0.0
Subtotal	40.9	17.7	58.6	81.6	4.5	86.1
Other External Resources						
SIDA (4)				2.1	0.0	2.1
USAID (5)				3.7	0.0	3.7
Subtotal				5.8	0.0	5.8
Domestic Contributions						
Government of Nicaragua	6.3	0.0	6.3	14.5	0.6	15.1
Beneficiaries (6)	3.1	0.0	3.1	0.00	0.00	0.00
Subtotal	9.4	0.0	9.4	14.5	0.6	15.1
Total	50.3	17.7	68.0	102.0	5.1	107.0

(1) ATN/TF-3599-NI and Loan Agreements 729/OC-NI and 935/SF-NI.

(2) Agreements 9266157, 9266164, and 9567009.

(3) COSUDE I and COSUDE II.

(4) Agreements I and II.

(5) PL-480 generated funds.

(6) An estimated US\$3.1 million in beneficiary contributions was not monetarized and reported.

Source: FISE Dirección Financiera Administrativa, 01/24/97.

Table A7: Status of Covenants

Agreement	Section	Covenant Type	Present Status	Original Fulfillment Date	Revised Fulfillment Date	Description of Covenant
Credit	3.07	4	Complied	Annually	Annually	Minimum allocation of counterpart funds
	3.08(a)	5	Complied	3/31/93	3/31/93	SIF to carry out Municipalities Targeting Plan
	3.08(b)	5	Complied	3/31/93	3/31/93	SIF not to approve subprojects in large municipalities based on Municipalities Targeting Plan
	4.01(b)	1	Complied	Annually	Annually	SIF to furnish IDA not later than 6 months after the end of each fiscal year, a copy of annual audit report
	4.02(b)	1	Not Complied	Quarterly	Quarterly	SIF to furnish to IDA not later than 2 months after the end of each quarter, a copy of the quarterly audit report

Table A8: IDA Resources: Staff Inputs

Stage of Project Cycle	Actual	
	Weeks	US\$(000)
Preparation to Appraisal	68.4	220.1
Appraisal	59.5	125.8
Negotiations through Board Approval	0.9	0.2
Supervision	108.8	241.0
Completion	8.5	13.9
Total	246.1	601.0

Table A9: IDA Resources: Missions

Stage of Project Cycle	Month/Year	Number of Persons	Days in Field	Specialized Staff Skills Represented ^{a/}	Performance Rating ^{b/}		Types of Problems
					Implementation Status	Development Objectives	
Through Appraisal	6/92	8	106	A,B,C,D,E,F	S	n.a.	
Appraisal Through Board Approval	12/92	2	2	A,D	S	n.a.	
Supervision 1	7/93	1	4	G	S	S	Minor procurement procedures
Supervision 2	2/94	1	4	A	S	S	Contracting bottlenecks/insufficient supervision personnel
Supervision 3	4/94	6		A,B,C,E,F			
Supervision 4	2/95	2	4	A,B	HS	HS	MIS not integrated
Supervision 5	8/95	2	4	A,B	S	S	
Supervision 6	10/95	4	5	A,C,D,G	HS	HS	
Supervision 7	3/96	4	5	A,C,D,G	HS	HS	Contracting, concurrent auditing
Completion	9/96	3	5	A,C,D	S	S	

^{a/} A=Human Resources Specialist; B=Financial Analyst; C=Engineer; D=Administrator; E=Credit Specialist; F=Economist; G=Procurement Analyst

^{b/} 1=Problem Free; 2=Moderate Problems; HS=Highly Satisfactory; S=Satisfactory

Note: Various supervision activities also took place in late-1994/early-1995 in the context of the preparation of the next FISE project (Cr. 2767-NI)

**Table B1: Comparison between Planned and Committed Resources
by Municipal Poverty Category
1991 through July 1996**

Poverty Category	Number of Municipalities	Percent of Total Population	Planned % (January 1993)	Actual % (July 1996)
Extreme	39	14.7	20.0	22.3
High	95	52.9	57.0	58.3
Medium	9	32.4	23.0	19.4
Total	143	100.0	100.0	100.00
Managua (1)		20.0	<18.0	10.8

(1) Part of medium poverty municipalities.

Source: FISE Dirección General de Estadística, 09/03/96.

**Table B2: FISE Approved Subproject Financing by Municipal Poverty Category
1991 through July 1996
(US\$ million)**

Poverty Category	Percent of Total Population	1991	1992	1993	1994	1995	1996	Total
Extreme	14.7							
Amount approved		1.48	2.49	2.84	4.99	7.62	7.23	26.66
Number of subprojects		39	103	103	303	349	238	1,139
High	52.9							
Amount approved		5.33	8.02	8.23	15.44	19.19	13.51	69.75
Number of subprojects		127	254	187	1,067	700	363	2,798
Medium	32.4							
Amount approved		3.72	2.12	3.31	4.22	4.88	4.87	23.15
Number of subprojects		48	36	207	250	155	117	813
Total	100.0							
Amount approved		10.54	12.65	14.39	24.67	31.70	25.61	119.58
Number of subprojects		214	397	597	1,620	1,204	718	4,750
Managua (1)	20.0							
Amount approved		3.27	0.91	1.60	2.00	2.21	2.91	12.91
Number of subprojects		35	13	147	137	69	77	478
Exchange rates used: US\$ 1.00 = Córdoba		4.85	5.00	6.12	6.72	7.53	8.12	6.33

(1) Part of medium poverty municipalities.

Source: FISE Dirección de Planificación, 08/30/96.

**Table B3: FISE Approved Subproject Financing by Municipal Poverty Category
1991 through July 1996
(percent)**

Poverty Category	Percent of Total Population	1991	1992	1993	1994	1995	1996	Total
Extreme	14.7							
Amount approved		14.07	19.71	19.76	20.24	24.03	28.22	22.30
Number of subprojects		18.22	26.95	17.25	18.70	28.98	33.14	23.97
High	52.9							
Amount approved		50.56	63.48	57.21	62.61	60.54	52.75	58.33
Number of subprojects		59.34	63.97	48.07	65.86	58.13	50.55	58.90
Medium	32.4							
Amount approved		35.36	16.79	23.01	17.13	15.41	19.03	19.36
Number of subprojects		22.42	9.06	34.67	15.43	12.87	16.29	17.11
Total	100.0							
Amount approved		100.00	100.00	100.00	100.00	100.00	100.00	100.00
Number of subprojects		100.00	100.00	100.00	100.00	100.00	100.00	100.00
Managua (1)	20.0							
Amount approved		31.04	7.25	11.13	8.11	6.97	11.36	10.80
Number of subprojects		16.35	3.27	24.62	8.45	5.73	10.72	10.06

(1) Part of medium poverty municipalities.

Source: FISE Dirección de Planificación, 08/30/96.

**Table B4: FISE Disbursements by Sector
1991 through July 1996**

Sector	1991	1992	1993	1994	1995	1996	Total
Social Infrastructure							
Amount (US\$ million)	3.14	4.76	11.32	15.43	21.96	9.85	66.46
Percent	29.76	37.66	79.00	66.08	69.89	68.93	62.36
Economic Infrastructure							
Amount (US\$ million)	7.17	4.57	1.34	3.36	3.88	0.64	20.96
Percent	67.96	36.16	9.35	14.39	12.35	4.48	19.67
Social Services							
Amount (US\$ million)	0.24	3.31	1.62	4.38	5.21	3.79	18.55
Percent	2.27	26.19	11.32	18.76	16.58	26.52	17.40
Community Training							
Amount (US\$ million)	0.00	0.00	0.05	0.18	0.37	0.01	0.61
Percent	0.00	0.00	0.35	0.77	1.18	0.07	0.57
Total Amount (US\$ million)	10.55	12.64	14.33	23.35	31.42	14.29	106.58

Source: FISE Dirección Financiera Administrativa, 09/03/96.

Table B5: Number of FISE Subproject Beneficiaries, Employment Generated, and Average Subproject Cost, 1991 through July 1996

Sector	1991	1992	1993	1994	1995	1996	Total
Social Infrastructure							
Amount (US\$ million)	3.14	4.76	11.32	15.43	21.96	9.85	66.46
Number of subprojects	88	130	290	401	396	149	1,454
Number of beneficiaries	96,375	125,787	303,878	773,425	705,641	163,914	2,169,020
Employment generated	2,966	5,699	23,656	28,440	51,746	23,372	135,909
Average subproject cost (US\$)	35,660	36,611	39,034	38,475	55,449	66,112	45,705
Economic Infrastructure							
Amount (US\$ million)	7.17	4.57	1.34	3.36	3.88	0.64	20.96
Number of subprojects	98	47	19	44	54	14	276
Number of beneficiaries	328,937	35,769	26,845	705,229	391,855	35,675	1,524,310
Employment generated	4,298	2,137	1,929	5,955	7,770	1,899	23,988
Average subproject cost (US\$)	73,167	97,328	70,578	76,298	71,937	45,485	75,942
Social Services							
Amount (US\$ million)	0.24	3.31	1.62	4.38	5.21	3.79	18.55
Number of subprojects	28	220	236	491	471	166	1,612
Number of beneficiaries	0	8,487	188,229	1,103,208	812,994	199,437	2,312,355
Employment generated	330	360	5,197	5,561	6,741	3,923	22,112
Average subproject cost (US\$)	8,397	15,055	6,859	8,921	11,058	22,837	11,507
Community Training							
Amount (US\$ million)	0.00	0.00	0.05	0.18	0.37	0.01	0.61
Number of subprojects	0	0	30	139	278	3	450
Number of beneficiaries	0	0	19,422	207,215	58,305	1,293	286,235
Employment generated	0	0	60	1,180	1,445	12	2,697
Average subproject cost (US\$)	0	0	1,815	1,300	1,317	1,676	1,355
Total Amount (US\$ million)	10.55	12.64	14.33	23.35	31.42	14.29	106.58
Total No. of Subprojects	214	397	575	1,075	1,199	332	3,792
Total Beneficiaries	425,312	170,043	538,374	2,789,077	1,198,795	400,319	6,291,920
Total Employment	7,624	8,196	30,842	41,136	67,702	29,206	184,706

Source: FISE, 08/30/96.

**Table B6: FISE Participation in Social Sector Investment
1991 through June 1996
(US\$ million)**

Sector	1991	1992	1993	1994	1995	1996(1)	Total
Social Sector Investment							
Education	0.14	7.44	8.30	15.29	8.99	7.45	47.60
Health	1.90	3.88	13.85	13.43	13.68	5.53	52.27
Others (2)	35.44	69.98	149.09	144.17	105.04	39.66	543.38
Total	37.48	81.31	171.23	172.89	127.71	52.63	643.25
FISE Investment							
Education	2.61	5.46	10.60	11.90	19.58	6.74	56.89
Health	0.53	2.24	0.78	6.51	6.14	4.43	20.63
Others (3)	7.40	4.95	3.01	4.93	5.98	3.14	29.41
Total	10.54	12.64	14.33	23.35	31.42	14.29	106.58
FISE Investment (percent)(4)	28.12	15.56	8.40	13.51	24.60	27.15	16.57
Exchange rates used: US\$ 1.00 = Córdoba	4.85	5.00	6.12	6.72	7.53	8.12	

(1) Preliminary.

(2) Others include INIFOM, INATEC, INAA, FONIF, INS, and general government.

(3) Others include water and sanitation, street paving, roads, municipal markets and slaughterhouses, and reforestation.

(4) In the early 1990s, the Ministries of Education and Health only counted investments funded internally and excluded donor-funded investments. Consequently, the comparison in those early years lacks relevance.

Source: FISE, 09/06/96.

**Table B7: Technical Assistance
to the Ministries of Health and Education**

Project		Amount (US\$)
Ministry of Health		
1.	Modernization of health sector	35,242
2.	Legalization of property titles for health facilities	76,900
3.	Legal support in the areas of health career law, collective agreement with unions, and preparation of general health law	96,677
4.	Strengthening of project preparation for primary health care investment	58,668
5.	Strengthening organization and management of drugs and medical supplies at the facility level	42,773
6.	Strengthening MOH monitoring and evaluation system	23,122
7.	Community health and hygiene education	71,820
8.	Health sector analysis	27,465
9.	Health communication	9,000
10.	Monitoring and control system for programs with external financing	11,760
11.	Hospital administration development	9,000
12.	Basic sanitation	1,500
13.	Strengthening of health ministry decentralized financing	6,500
14.	Institutional strengthening of the design and implementation of health investment system	11,750
	Subtotal	482,177
Ministry of Education		
1.	Legalization of property titles for education facilities (first project)	98,521
2.	Legalization of property titles for education facilities (second project)	81,658
3.	Preparation of basic education project	68,500
4.	Coordinating unit for basic education project	90,420
5.	Physical infrastructure component	28,108
6.	Pre-school education component	8,958
7.	Decentralization of education administration	111,920
8.	Design of basic education project infrastructure prototypes	6,500
9.	Design of basic education project infrastructure maintenance manual	12,628
10.	Design and implementation of supervision system for education facility property title legalization	800
11.	Dissemination of education democratization process	95,800
12.	Study of school center location	8,100
13.	Basic education project component design of educational materials (part 1)	8,485
14.	Basic education project component design of educational materials (part 2)	19,894
15.	Review and revision of primary school center maintenance operation manual	3,000
16.	Management training	
17.	National Plan for Sustainable Development 1996-2000	300
18.	Simulation model for education system	5,000
	Subtotal	45,000
		693,592
Total		1,175,769

Source: FISE Dirección Financiera Administrativa, 08/31/96.

**Table B8: FISE Participation in the Gross Domestic Product (GDP)
1991 through June 1996
(US\$ million)**

Gross Domestic Product	1991	1992	1993	1994	1995	1996(1)	Total
Agriculture	565.26	545.42	417.92	441.79	426.62	460.59	2,857.60
Industrial Manufacture	883.27	812.76	664.30	610.81	561.80	529.80	4,062.74
Construction	105.24	110.52	91.66	98.28	102.05	104.61	612.36
Transport and Communications	190.97	187.90	147.49	133.66	125.40	122.38	907.80
Commerce							
Others (2)	676.23	665.34	530.84	490.89	460.05	448.99	3,272.34
	1,316.66	1,318.52	1,110.99	1,012.48	924.61	885.43	6,568.69
Total	3,737.63	3,640.46	2,963.20	2,787.91	2,600.53	2,551.80	18,281.53
FISE Investment (approved)							
Amount	10.55	12.64	14.33	23.35	31.42	25.61	119.58
Percent of GDP	0.28	0.35	0.48	0.88	1.22	1.00	0.65
Exchange rates used: US\$ 1.00 = Córdoba	4.85	5.00	6.12	6.72	7.53	8.12	6.33

(1) Preliminary.

(2) Others include fishing, mining, banking and insurance, housing, energy, other services, and general government.

Source: FISE, 09/05/96.

**Table B9: Distribution of Number and Amount of Approved Subprojects
by Type of Executing Agency
1991 through July 1996**

Executing Agency	Number of Executing Agencies	Number of Projects	%	Total (US\$ million)	%
Construction firms	116	351	7.39	21.47	17.96
Independent contractors	951	2,605	54.84	76.27	63.79
NGOs	19	535	11.26	3.58	3.00
Others (1)	59	1,258	26.51	18.24	15.26
Total	1,145	4,750	100.00	119.58	100.00

(1) Others include construction foremen.

Source: FISE, 009/03/96.

**Table B10: Distribution of Number and Amount of Approved Subprojects
by Type of Subproject Sponsor
1991 through July 1996**

Soliciting Agency	Number of Project Sponsors	Number of Projects	%	Total (US\$ million)	%
Ministry of Education	136	1,688	35.54	25.97	21.72
Ministry of Health	25	1,615	34.00	18.20	15.22
Municipalities	143	1,220	25.68	57.06	47.72
NGOs	71	120	2.53	8.00	6.69
Other Government Organizations	11	107	2.25	10.35	8.66
Total	386	4,750	100.00	119.58	100.00

Source: FISE, 09/03/96.

**Table B11: Number and Amount of Approved Subprojects
by Subproject Status
1991 through July 1996**

Status	Number of Projects	%	Total (US\$ million)	%
Approved for execution	4,791	100.00	120.82	100.00
In process of contracting	1,010	21.08	15.73	13.02
Under execution	500	10.44	20.59	17.04
Completed	3,240	67.63	83.24	68.90
Canceled	41	0.86	1.26	1.04

Source: FISE, 08/30/96.

**Table B12: Types of Subprojects under Contract by Number and Amount
1991 through July 1996**

Sector/Subproject Type	Number of Subprojects	Percent of Total Subprojects	Amount (US\$ million)	Percent of Total Amount
Social Infrastructure		38.00		62.00
Primary and Pre-Primary schools	969		42.27	
Secondary Schools	77		7.82	
Vocational Training Centers	18		1.78	
Health Posts	250		6.38	
Health Centers	51		2.79	
Hospital Areas	2		0.16	
Old-Age Homes and Shelters	14		1.04	
Child Centers	14		1.00	
Potable Water	37		3.66	
Sewerage	22		3.20	
Subtotal	1,454		70.10	
Economic Infrastructure		7.00		19.00
Drainage	31		3.63	
Road Improvement	198		16.29	
Bridges	7		0.78	
Municipal Markets	6		0.51	
Slaughterhouses	14		0.49	
Other	5		0.39	
Subtotal	261		22.09	
Environmental Improvement		<1.00		<1.00
Reforestation	15		1.31	
Other	0		0.00	
Subtotal	15		1.31	
Social Services		54.00		18.00
Education Equipment	757		7.47	
Health Equipment	364		0.52	
Latrines	320		9.94	
Preventive Health	87		1.16	
Community Organization/Training	450		0.63	
Water Committee Training	0		0.00	
Feeding/Nutrition Programs	0		0.00	
Other	84		0.19	
Subtotal	2,062		19.91	
Total	3,792	100.00	113.41	100.00

Source: FISE Dirección General de Estadística, 09/06/96.

**Table B13 Amount and Uses of Funds by Year
1991 through July 1996
(US\$ million)**

	1991	1992	1993	1994	1995	1996	Total
Approved funding	10.55	12.65	14.39	24.67	31.70	25.61	119.57
Project costs	10.55	12.64	14.33	23.35	31.42	14.29	106.58
Administration	0.50	1.23	2.80	2.96	3.24	1.67	12.40
Total disbursements	11.05	13.87	17.13	26.31	34.66	15.96	118.98

Source: FISE Dirección Financiera Administrativa, 09/02/96.

**Table B14: FISE Staffing
1991 through July 1996**

Classification	1991	1992	1993	1994	1995	1996
Professional						
Management	11	12	12	12	12	12
Technical	17	29	49	62	67	72
Subtotal	28	41	61	74	79	84
Support	23	31	45	52	60	62
Total	51	72	106	126	139	146

Source: FISE, 09/05/96.

**Table B15: FISE Procurement Methods by Type
(1993 through 1996)**

Year	Direct Contracting			Local Shopping			Public Bidding			Total		
	No. of Projects	No. of Contracts	Amount CS millions	No. of Projects	No. of Contracts	Amount CS millions	No. of Projects	No. of Contracts	Amount CS millions	No. of Projects	No. of Contracts	Amount CS millions
1993	327	298	24.19	90	89	33.76	74	65	31.84	491	452	89.79
1994	877	564	70.52	53	53	21.04	99	94	69.50	1,029	711	161.06
1995	896	563	76.74	140	140	65.72	121	121	98.00	1,157	824	240.46
January-August 1996	146	144	27.77	183	179	46.72	93	73	74.78	422	396	149.47
Projected August-December 1996	48	not known	8.06	290	not known	33.04	76	not known	72.49	414	not known	113.59
Projected Total 1996	194	not known	35.83	473	not known	79.76	169	not known	147.27	838	not known	262.86
Medical Equip.									17.00			17.00
Total	2,294	1,569	207.28	756	461	200.28	463	353	363.61	3,515	2,383	771.17

Note: Procurement data was not computerized until 1993.

Source: FISE Dirección General de Estadística, 09/04/96.

**Table B16: Technical Assistance Included in the Project
Credit 2434-NI**

Study	Purpose as defined at appraisal/redefined	Status	Impact
1. Coordination of technical assistance (consultants)	Coordination of contracting consultancies identified in IDA Credit 2434-NI and IDB loan for the period 08/01/93 to 01/31/94. (US\$59,128)	Concluded.	Twenty-five percent of planned consultancies were contracted; standard procedures for consultant selection and contracting were defined; sample contract was approved. Also, terms of reference were established to contract the team leader for the MED and MINSA programs.
2. Coordination of technical assistance (consultants)	Coordination of other consultancies with the objective of assisting the compliance of FISE's Executive Department regarding the institutional strengthening components for FISE, MED and MINSA for the period 07/15/94 to 03/15/95. (US\$38,400)	Concluded.	Five institutional strengthening consultancies were completed for FISE; the MED technical assistance coordinator was hired and five other team members were selected; a MINSA coordinator was selected, and the remainder of the MINSA work team has contracts pending.
3. FISE Accounting System	Re-design of the FISE accounting system. (US\$2,963)	Concluded.	The accounting system was evaluated and completely re-designed.
4. Contracting Manual	Prepare FISE Contracting Manual. (US\$9,500)	Concluded.	FISE Contracting Manual prepared and in use.
5. Study Tours	Executive Department study tours. (US\$1,125)	Concluded.	
6. Implementation of Dispersed, Rural Water and Sanitation Subprojects	Establish a strategy for the implementation of dispersed, rural water and sanitation subprojects. (US\$16,257)	Concluded.	Strategy defined for water and sanitation subproject implementation.
7. Municipal Strengthening Program	Develop terms of reference for consultancies in participatory micro-planning, project management, and automated monitoring and supervision, as part of municipal strengthening. (US\$3,000)	Concluded.	Terms of reference were developed.
Total	US\$130,373		

Source: FISE Dirección de Planificación, 09/23/96.

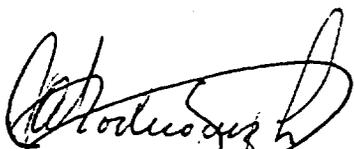
**FONDO DE INVERSION SOCIAL DE EMERGENCIA
FISE**

**AYUDA MEMORIA
NICARAGUA
Misión de Cierre
Crédito AIF / 2434 - NI**

Managua, 06 de Septiembre de 1996

1. Entre el 02 y el 06 de Septiembre de 1996, se realizó la misión de “ Cierre “ del crédito 2434 - NI integrada por los señores Willem Struben y Rafael Flores funcionarios del Banco Mundial y la señora Anna Kathryn Vandever Webb consultora del mismo Organismo. El objetivo de la misión fue realizar una evaluación retrospectiva sobre la implementación lograda en la ejecución del primer Proyecto de inversión social contenida en el crédito, a través de entrevistas, revisión de documentos y reuniones de trabajo.
2. En forma resumida se pueden mencionar los siguientes logros principales obtenidos por FISE:
 - 2.1 La distribución focalizada de los recursos realizada en una forma justa y equitativa en base a los distintos niveles de pobreza existentes en el País.
 - 2.2 Una alta capacidad de la Institución para generar y captar recursos externos en base a necesidades expresadas por la Comunidad, habiendo superado en un 75% al total del financiamiento previsto en el Documento de Proyecto elaborado para la justificación del crédito.
 - 2.3 Aumento de la competitividad en los procedimientos de contratación, al incrementar el número de SubProyectos contratados mediante las modalidades de concurso de precios y licitación pública.
 - 2.4 Desarrollo y fortalecimiento del sector privado.
 - 2.5 Administración eficiente y transparente en el destino de los recursos obtenidos.
 - 2.6 Fortalecimiento del proceso de inversión social del País, habiendo obtenido un 34% de participación con relación a la inversión total realizada en el País durante 1995.
3. Entre las debilidades detectadas en FISE alrededor de la ejecución del crédito, podemos mencionar lo siguiente:

- 3.1 Baja participación de la Comunidad en la identificación, ejecución y sostenibilidad de las inversiones realizadas. Para superar este inconveniente, la Institución esta invirtiendo en la formulación de Proyectos que incorporen en un mayor grado a la Comunidad. Adicionalmente con el apoyo de Consultorias específicas se está diseñando la mecánica operativa de un fondo de mantenimiento que ayude inicialmente con el patrocinio de fondos externos a su formación mas la contrapartida correspondiente del Gobierno, de tal forma que se vuelva un procedimiento regular Institucional.
- 3.2 Poca participación de las ONG'S en la ejecución de Proyectos. Al respecto se han hecho varios seminarios para aumentar la coordinación y determinar procedimientos operativos con este tipo de Instituciones que ayuden igualmente a fomentar la relación con las Comunidades.
- 3.3 Poca observación y medición del impacto generado por los Proyectos en el medio ambiente. Sobre el particular con la ayuda de una Consultoria financiada por el crédito, se establecerán los procedimientos organizativos y operativos de manera que FISE funcione muy pronto en esta línea.
4. Como un logro altamente positivo de otro componente del Proyecto, se puede mencionar el alto grado de fortalecimiento Institucional obtenido en los **Ministerios de' Salud y Educación del País**, ya que en ambas entidades se han logrado fortalecer sus capacidades de planificación y normación técnica, lo que les ha permitido gestionar nuevas operaciones directas con los Organismos de financiamiento.
5. Esta misión agradece la cooperación brindada por el personal de FISE, y se emitieron a FISE todas las indicaciones y lineamientos necesarios que le permitan elaborar su informe sobre la evaluación del Crédito a ser enviado al Banco Mundial el próximo 13 de Septiembre de 1996.


José Angel Rodríguez
Director Ejecutivo




Anna Kathryn Vandever Webb
Consultora
Banco Mundial

Borrower's Contribution to the ICR

(Translation)

**FINAL EVALUATION REPORT ON CREDIT PROJECT 2434-NI (IDA)
OF THE NICARAGUAN EMERGENCY SOCIAL INVESTMENT FUND (FISE)****(i) Evaluation of the Project's Objectives, Design, Implementation and
Operational Experience**

In February 1992, a draft Social Sector Report was discussed by IDA and the GON. It was used to define the overall policy framework for poverty alleviation and sectoral strategies which would form part of the safety net and of broad reform programs, with special attention to improving quality and efficiency in the provision of primary health, elementary education and nutrition services. In October of that year the GON presented the Social Sector policy letter which summarized short- (1992-1995) and medium-term (1992-1998) policies and strategies as well as details on priority programs, implementation plans, focus and allocation of resources. Thus, the proposed IDA-FISE project (2434-NI) would help the GON in strengthening its poverty alleviation strategy during the adjustment period and assist line ministries in improving their institutional capacities and complete reform programs. In this context, the program to support FISE would complement the activities to be carried out by MED and MINSA.

The project's objective was to support the Government in its effort to alleviate poverty and maintain social unity during the economic adjustment period, until line ministries were able to strengthen their institutional capacities and complete reform policies and programs. As far as possible, FISE's operating procedures, procedures and experiences would gradually be transferred to Social Ministries to aid and improve the efficiency and fairness of services delivered.

During the project proposal evaluation phase, FISE and IDA agreed to introduce several changes to improve the project implementation phase for the purpose of ensuring consistency and better focus in the context of the overall framework of this reform's social strategy and ensuring greater social unity and support to the poor. It was necessary to avoid overallocation of resources in the city of Managua; to design a promotion campaign to register demands and support the formulation of subprojects in poorer, more distant municipalities, to correct the sectoral and territorial focus of investments (as of June 30, 1992, 52% of investments had been assigned to economic infrastructure), to improve the quality of subprojects, to design and implement the Management Information System and the implementation of subproject quality and social impact studies. In turn, IDA would support and coordinate the raising of sufficient grant funds from the international donor community to assist the GON in strengthening safety net programs.

The project included four components, only the first of which dealt with direct action by FISE. The other three formed part of actions complementary to FISE and the project's macro objectives. (i) Subprojects totaling the equivalent of 89% of total project

cost defined as US\$68 million. Subprojects would be distributed as follows: 55% for social infrastructure, 23.5% for economic infrastructure, 20% for social assistance, and 1.5% for training communities to maintain works; (ii) technical assistance to the Nicaraguan Institute of Statistics and Census (INEC) for implementation of the LSMS and an analysis of its results, for a total amount equivalent to 1.3% of total project cost. This survey of living standards would not only help to increase the GON's analytical capacity in the social policy decision-making process, particularly on targeting poverty alleviation efforts and monitoring social conditions, but would have particular benefits in targeting FISE's efforts and assessing their impact; (iii) strengthening of MED and MINSA's ability to plan and prepare subprojects that could be financed by FISE or other sources, with a total amount equivalent to 2.6% of total project cost. The most important result expected from this component was the creation of institutional capacity in both ministries to prepare, select and evaluate subprojects so that the long-term benefit extends beyond the institutional life of FISE; (iv) improvement of the financial management and budgetary aspects of MED and MINSA as well as the refinement of policies dealing with prioritization and planning of expenditures and investments, strengthening of accounting and budget units, improvement of control mechanisms for foreign aid and specific studies to refine the sectoral strategies of both ministries. The total amount allocated to the latter component was equal to 1.2% of total project cost.

As one may note, various aspects that are essential to project design and objectives were conceived under the idea of designing FISE as an emergency social compensation instrument with a limited institutional life, whose experiences, working methods, etc. would be transferred to line ministries when the latter completed their strengthening process. However, FISE's experience shows that this has been a focused social infrastructure process aimed at promoting economic growth with well-being, as a result of rehabilitated or expanded infrastructure, thereby playing an important Government role (fair and redistributive role), as in the provision of basic public services, particularly health, education, water and sanitation which are the bases of the development of a country's human capital. We believe that, in view of FISE's clear comparative advantages in relation to Social Ministries and of the current status of social and State reform programs, FISE's future role in social policy should be re-examined in order to incorporate substantial aspects of poverty alleviation policies, particularly the eradication of extreme poverty. In this sense, the project's initial view of returning to line ministries their instrumental role in social policy should be reviewed. With reforms, the policy-setting and regulatory role and the strategic formulation of policies and programs are essential aspects of social policy leaders and coordinators who should guarantee the consistency of policies and the integration of social programs with State reform programs that support social development and strengthen the ability to govern.

Thus, FISE's experiences and its advantages/transparency and efficiency in targeting the territorial and sectoral allocation of resources, operational and administrative efficiency, accountability, participation of governments and local social development agencies in identifying, formulating, executing and maintaining subprojects, introduction of "market" signals through competitive procedures for contracting private enterprises,

operational manuals that document the systems, processes, mechanisms, procedures, ex-ante assessment methodology, as well as the introduction of systems to monitor the quality and social/economic impact of subprojects, ability to raise funds and administer management information systems, should be used as dynamic elements of public sector reform to implement (i) specific policies aimed at improving the quality, efficiency and impact of social investment programs; (ii) policies aimed at increasing the capacities of Municipal Governments for participatory micro-planning, administration, management and maintenance of social investments, to gradually transfer important duties and resources still be handled by Ministries and/or Central Government programs but which, if properly transferred to local governments, would increase governability and citizen participation; (iii) social policies for poverty reduction, particularly the eradication of extreme poverty. We believe that FISE could play an important future role in implementing these policies for the consolidation of a poverty alleviation program with long-term human capital development.

This new approach would imply greater coordination with Municipal Governments in order to achieve greater impact on local-level social investment and the introduction of new elements to FISE's institutional mission, providing it with the political legitimacy to develop intervention strategies that would allow it, **first**, to increase the installed capacity both of private organizations and of public institutions dealing with local social issues, in order to strengthen the absorption of resources; **second**, to strengthen local technical capacity to analyze and use local data on the size, location and characteristics of poverty, as well socio-demographic and sectoral data that would allow the establishment of transparent mechanisms for sectoral and geographic allocation of resources at the local level, more efficient organization of social investment and monitoring of its social and economic impact; and **third**, to strengthen Municipal Governments' capacity to coordinate and become part of a planning system for municipal social investment in all social programs dealing with poverty alleviation, in order to strengthen their impact and achieve a greater multiplying effect than if they acted alone. This would enable the budgetary integration and streamlining of both local and Central Government resources.

(ii) Evaluation of FISE's execution during project evolution and implementation, with special emphasis on lessons learned that may be pertinent in the future

Since its start-up in July 1996, FISE's Administrative Council has approved 4,750 subprojects for a total of US\$120.0 million, which shows that, out of an effective total demand of US\$167.0 million for subprojects, the financing of 72% was approved. This means that FISE has responded efficiently to requests submitted by communities. Moreover, between 1993 and 1996, monthly approvals of subprojects by the Administrative Council totaled US\$2.29 million compared to US\$0.97 million between 1991 and 1992, which means that during the project's implementation phase, the approval rate was 136% in relation to the pre-project period.

Since mid-1992, FISE has used the Poverty Map as the sole mechanism for allocating resources at municipal level. During project implementation, it was planned that

20% of investments would be located in municipalities classified as Extremely Poor, 57% in Highly Poor municipalities, and 23% in Less Poor municipalities. As of July 1996, approvals by the Administrative Council show a distribution of 22.30% for Extremely Poor municipalities, 58.33% for Highly Poor municipalities, and 19.37% for Less Poor municipalities. This means that in those municipalities with a greater relative incidence of poverty (extreme poverty) the Council approved US\$33.0 per inhabitant, while in municipalities with a lower relative incidence, those classified as medium poor, it approved US\$18.0 per inhabitant during the same time period. We believe that the new system of allocating and targeting resources (new World Poverty Map based on the LSMS), whose implementation is scheduled to begin in January 1997, will aid us in increasing the levels of "program incidence".

FISE's efficiency and transparency in terms of geographic targeting and distribution of the Program's benefits is also consistent when we look at the spatial allocation of investments, in terms of both coverage and urban-rural location of subprojects:

- a) During the life of the program, FISE has covered 100% of the country's 143 municipalities. It is important to point out, however, that control mechanisms have been implemented that allow the stabilization of annual indices of coverage for 95% of all municipalities nationwide.
- b) Between 1995-1996, 65% of subprojects were located in "rural" poverty areas compared to the 1991-1994 period in which 42% of subprojects were located in "rural" poverty areas; we can state that during the past year and a half the strategy of ruralizing FISE's subprojects has been successful.

As a result of agreements between FISE and IDA during the project appraisal phase, FISE also successfully made important modifications to its "sectoral investment focus": management reports show that from 1993-1996 FISE financed 20% of its investments in the area of economic infrastructure, compared to 53% between 1991-1992. Between 1995-1996 the education, health, water and sanitation sectors made up 90% of the contracted amounts.

During project implementation, FISE has shown an ability to generate growing and - in relative terms - significant employment. With the exception of the special employment generation program for the Atlantic Coast, financed by USAID and managed by an independent executing unit, from 1991-1992 the average annual number of direct and indirect jobs created was 1615, from 1993-1994 it was 7348, and from 1995-1996 (July) it was 13,190. The operational expenses for generating one average job per year were US\$536.0, US\$392.0 and US\$186.0 for each period, respectively. This shows a growing administrative and operational efficiency in FISE's execution. Moreover, in view of the array of subprojects financed by FISE, the amount of investment required to generate one average job per year (direct plus indirect) is US\$2292.0.

As of June 1996, 71% and 29% of the total amount contracted were executed under the modality of bidding (public or private) and direct adjudication, respectively. It is expected that by December 1997 these overall averages will reach 80% and 20%, respectively, meaning that FISE continues to broaden its strategy of increasing market competitiveness.

Accumulated disbursements for projects total US\$106.0 million, and accumulated operating expenses total US\$12.0 million, equivalent to a ratio of 11%. This is efficient if we compare it to the rest of the public sector and to other, similar institutions in the southern, central and Caribbean regions of Latin America. Moreover, 85% of total subprojects approved by the Administrative Council have been effectively delivered to communities.

The US\$132.26 million in domestic and foreign resources raised for the 1995-1997 period, compared to US\$91.86 million for the 1991-1994 period, represents an effective increase of 91%. This means that, as a new government takes office, there is no risk of leaving the institution without sufficient financing since resources available for 1997 will be slightly more than US\$65.00 million.

Moreover, FISE has managed to consolidate an important institutional strengthening program aimed at line ministries and FISE itself. It has also begun a pilot program aimed at increasing the capacity of municipal governments with respect to participatory micro-planning, administration, management and maintenance of education, health, water and sanitation subprojects. The pilot maintenance program, whose design will include the participation of the Central Government, sectors, municipal governments and the community, will at first be aimed at creating a Preventive Maintenance Fund for about 2200 establishments in the primary health care and education network financed by FISE.

These inter-institutional development programs are allowing an increase in the program's efficiency and effectiveness and the fine-tuning of processes, systems, mechanisms and procedures in all phases of the subproject cycle, as well as the development and implementation of systems to monitor the quality and impact of subprojects, including new environmental impact assessment methodologies, a new Poverty Map as the sole mechanism for resource allocation, better inter-institutional coordination, new community participation mechanisms, better understanding of the roles of the Central Government, Ministries, municipal governments, beneficiaries and civil society in seeking more sustainable investment alternatives, improvements in the Ministry of Education and Health's sectoral planning and regulatory system, the performance of important processes of coordination, exchange and consultation with local and international social agents (including bilateral and multilateral financial sources) to identify the most important elements for defining FISE's future role in the context of Nicaragua's actual conditions.

iii) Evaluation of the performance of duties by IDA and financial cooperation agencies during project evolution and implementation, including the effectiveness of the relationship among IDA, FISE and financial cooperation agencies, with special emphasis on lessons learned.

We believe that IDA's performance of its duties and the effectiveness of its relationship with FISE are represented by the Program's quantitative and qualitative results. One of the most difficult aspects during the project evolution and implementation phases has been the planning of criteria by the various financial cooperation agencies, in relation to hiring procedures, ex-ante subproject evaluation methodology, community participation, sectoral and territorial resource targeting and allocation, subproject quality and NGO participation. Nearly every agency has different procedures and viewpoints on these issues.

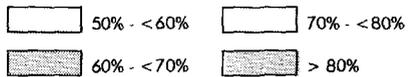
In addition, the achievement of some objectives and goals is contradictory. For example, greater community participation in subproject execution is contradictory to the objective of increasing the quality of subprojects; an increase in hiring by means of bidding procedures is contradictory to the objective of streamlining responses or vice versa; an increase in hiring by means of direct hiring procedures is contradictory to the objective of increasing market competitiveness; the use of mechanisms to increase the fairness and distributive impact of the program is contradictory to the objective of quickly responding to excess demands for subprojects by municipalities with greater installed capacity to formulate subprojects; greater levels of sophistication in ex-ante methodologies imply an increase in subproject formulation requirements, which decreases even more the nearly nonexistent capacity for formulation by applicants; greater NGO participation in the formulation, execution and supervision of subprojects requires greater flexibility in hiring procedures, which would imply changes in FISE and IDA guidelines or greater training of NGOs to increase their competitiveness; the latter two are beyond FISE's scope.

During project implementation, the various financial agencies were on one end or another of the above-mentioned contradictions. However, the implementation of operating mechanisms, systems, processes, and procedures and their auditability, as well as the ability to negotiate the proper implementation of corrective measures by FISE, facilitated coordination with IDA and other banks, minimizing the levels of imbalance in the execution of this and other projects. Moreover, the support and high priority given to the FISE program by the GON were also an essential element in the project's success.

MAP SECTION

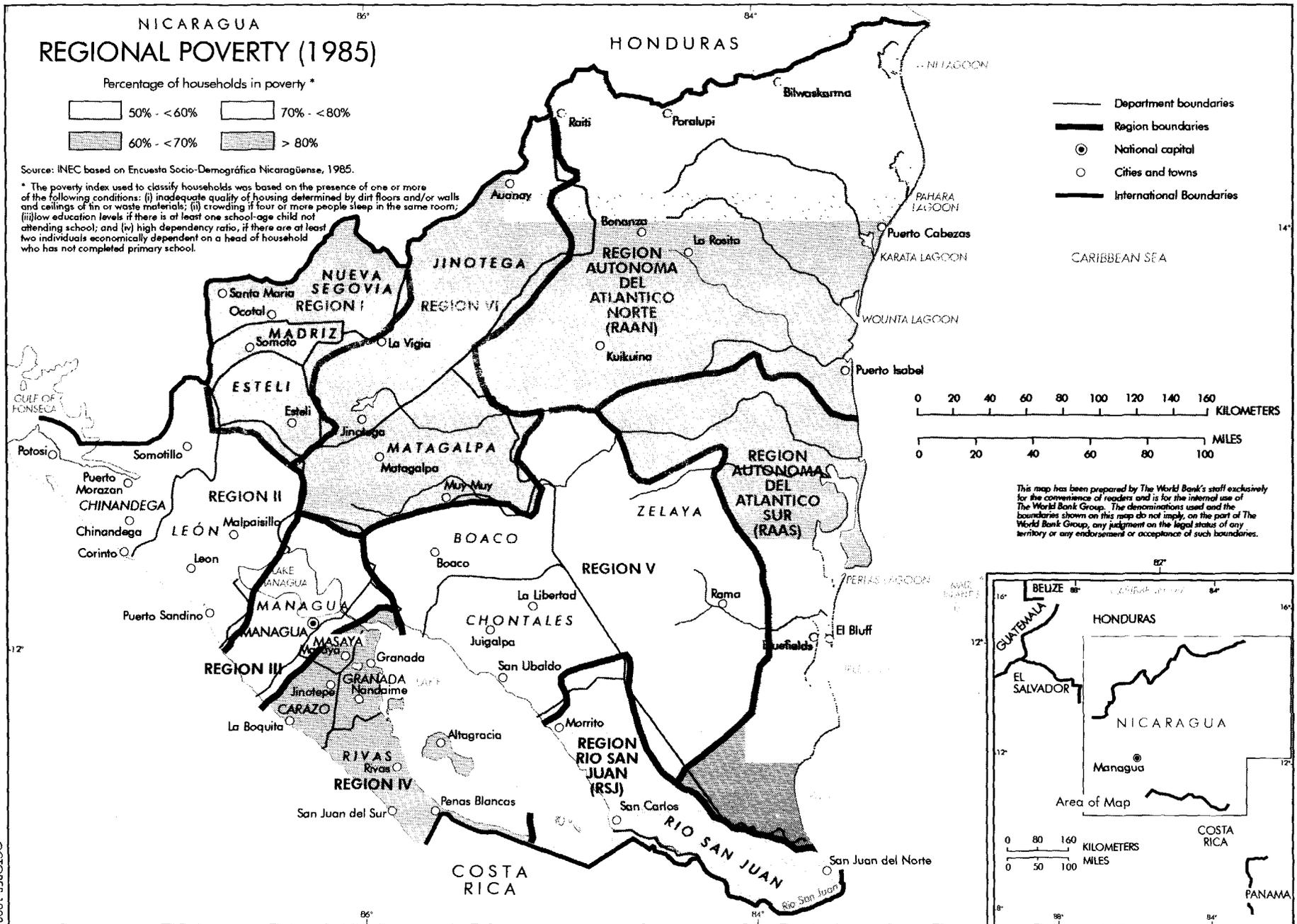
NICARAGUA REGIONAL POVERTY (1985)

Percentage of households in poverty *

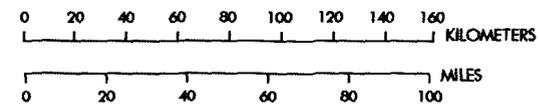


Source: INEC based on Encuesta Socio-Demográfica Nicaragüense, 1985.

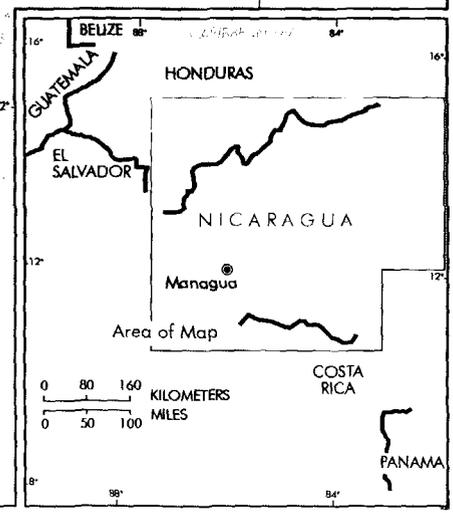
* The poverty index used to classify households was based on the presence of one or more of the following conditions: (i) inadequate quality of housing determined by dirt floors and/or walls and ceilings of tin or waste materials; (ii) crowding if four or more people sleep in the same room; (iii) low education levels if there is at least one school-age child not attending school; and (iv) high dependency ratio, if there are at least two individuals economically dependent on a head of household who has not completed primary school.



- Department boundaries
- Region boundaries
- National capital
- Cities and towns
- International Boundaries



This map has been prepared by The World Bank's staff exclusively for the convenience of readers and is for the internal use of The World Bank Group. The denominations used and the boundaries shown on this map do not imply, on the part of The World Bank Group, any judgment on the legal status of any territory or any endorsement or acceptance of such boundaries.



IMAGING

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