

## Ex Post-Evaluation Brief

### NICARAGUA: Social Investment Fund FISE V



<b>Sector</b>	16310 – Social welfare, social services	
<b>Programme/Client</b>	Social investment fund programme FISE V BMZ No. 2000 66 209	
<b>Programme executing agency</b>	Fondo de Inversión Social de Emergencia (FISE)	
<b>Year of sample/ex post evaluation report:</b> 2013/2013		
	Appraisal (planned)	Ex post-evaluation (actual)
<b>Investment costs (total)</b>	EUR 6.4 million	EUR 6.37 million*
<b>Counterpart contribution (company)</b>	EUR 0.8 million	EUR 0.85 million
<b>Funding, of which budget funds (BMZ)</b>	EUR 5.6 million EUR 5.6 million	EUR 5.51 million* EUR 5.51 million*

\* Rounded, without residual funds (EUR 111,000)

**Short description:** The programme promoted the rehabilitation and expansion of the social and economic infrastructure in the poor areas of Nicaragua between 2003 and 2006 (with residual work up until 2009). It was implemented by the social investment fund FISE, a legally independent entity that was founded in 1990, which is directly responsible to the President's office. At the time, its area of responsibility included combating poverty, improving access to basic government services and supporting municipal administrations. Among other things, financing was provided for schools, healthcare stations, latrines, water supply as well as small-scale irrigation systems and rural road construction. FISE involved both municipal administrations and the population of the programme area as far as possible in the planning and implementation of the project. The participants' skills were strengthened by additional training measures.

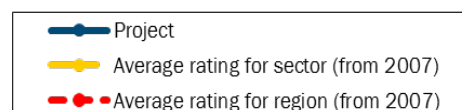
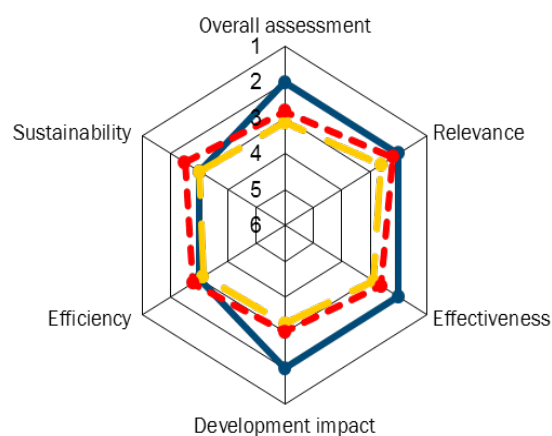
**Objectives:** The programme was designed i) to expand and improve access and sustainable use of social and economic infrastructure by poor groups among the population (indicators for degree of utilisation and maintenance) and ii) to increase the beneficiaries' and the municipal administrations' planning and decision-making capacities in the entire project cycle (indicators on structural strengthening and respective capacities). This was intended to improve the living conditions and development opportunities for the poor sections of the population. **Target group:** The project's target group comprised poor sections of the population without access to adequate social and economic infrastructure facilities. Funds were allocated to the municipalities on the basis of the national poverty card and a poverty-oriented allocation pattern.

#### Overall rating: 2

Using a participatory approach, the project improved the access to and quality of communal infrastructure. Decentralised administrative structures and participants were involved and strengthened whenever possible.

**Points to note:** At the start of the project, the projects which were planned and implemented by the communities themselves ("*Proyectos Guiados por la Comunidad*-PGC") were still considered to be pilots. The project intended to promote this implementation mode and thereby strengthen the beneficiaries' self-reliance. Meanwhile, village communities are now handling the majority of FISE projects. This type of implementation has thus established itself as default mode.

#### Rating by DAC criteria



## EVALUATION SUMMARY

### Overall rating

Efficient quantitative and qualitative improvement of communal infrastructure in predominantly poor, rural regions of Nicaragua. Beneficiaries' influence and design options as well as local administrative structures were strengthened in the process.

### **Rating: 2**

### Relevance

Low developmental opportunities in rural areas were identified as core problem at the time of appraisal in 2001. This diagnosis is still plausible and very relevant for large parts of Nicaragua. The twin goal of improving infrastructure (quantitatively and qualitatively) as well as strengthening local structures and participation opportunities are typical for the intervention logic of social investment funds and their contribution to decentralisation processes. *Ex post*, this can also be deemed as convincing and in line with the enhanced concept of a social investment fund. The components (infrastructure projects, training measures, consultant support of the executing agency) were selected effectively. The components of the FC project conformed well to the overall FISE programme back then (*FISE IV*), which was implemented in coordination with the World Bank and the Inter-American Development Bank (IDB).

At appraisal, insufficient popular participation in setting priorities or in selecting investments was identified as constraint. This deficit was confirmed by the evaluation. Back then – i.e. prior to 2003, most respondents felt neglected by political representatives (also at local level) and participatory planning of investment projects was the exception. In recent years it has been possible to continue the participatory approach, and this aspect has gained further in importance since 2007 under the Sandinista government.

The programme was structured to promote the efforts of German development cooperation - decentralisation and the country's inclusion- and poverty-oriented policies. Significant importance was attached to coordinating with other financiers. Cooperation with the communal assistance programme of the GIZ took place on a selective basis. It was not possible to exploit all potential synergies for coordinating technical and financial cooperation due to different time horizons and intervention areas as well as divergent implementation cycles.

Employing the social fund as an implementation mechanism was a practical consideration at that time. FISE was able to ensure the implementation of the multi-sector project menu, the observation of relevant sectoral policies, a high level of technical know-how and implementation experience, as well as to promote the communal structures' strengthening. It can meanwhile be questioned whether FISE is the only capable agency in this respect, as the municipalities are now increasingly able to implement the projects themselves. Furthermore, the

FISE's mandate has increasingly diverged from its original, multi-sectoral focus and instead is concentrating on providing water supply to rural areas.

## **Sub-Rating: 2**

### Effectiveness

Most of the objectives underlying the programme can be regarded as achieved. (i) Access to infrastructure facilities was increased, with 121 projects having been implemented in the areas of education, healthcare, small-scale irrigation, water supply, and rural road construction, as well as in other social infrastructure (such as sports facilities). In cases where these projects did not involve new construction, the quality was enormously improved in many cases (clean drinking water, use of brick-and-mortar for buildings instead of timber). The degree of utilisation can be classified as appropriate. The (ii) population generally participated through a committee; around 10% of the projects were even implemented by the beneficiaries themselves (PGC). Less than half of the projects were under the municipal administrations' authority. With the support of FISE, their capacities were improved in the areas of identifying, planning, tendering, and implementing of investments. The remaining projects were managed centrally by FISE itself.

The indicators of the first sub-objective (access and quality of infrastructure, sustainable use) can be regarded as largely fulfilled. Of the projects inspected, 88.3% were adequately used. The issue of maintenance was more problematic than that of adequate use. Only half of the projects visited in the ex-post evaluation receive appropriate maintenance. Here too, 80% was specified as the target. However, it is worth noting that in almost all projects, the beneficiaries have assumed responsible for their facility and carry out smaller repairs and clean-ups. However, the situation becomes critical when the maintenance requires a high amount of capital. In such cases, maintenance can no longer be carried out by the target group or the respective maintenance committee.

It is difficult to measure the indicators of the second sub-objective, "participation". All of the 15 visited municipal administrations confirmed that they involve the population intensively in the planning and implementation of infrastructure projects. Most of today's projects are implemented using the PGC approach that was piloted at that time - regardless of their funding source they (donor funds, own resources or via FISE). The the municipal administrations' capacities are considerably higher than in 2003, and all administrations visited have a technical unit with qualified staff (engineers, tendering specialists, etc.). In 2004, just under half of the projects were still implemented by FISE itself, as 97 of the then 151 municipalities, according to FISE's classification, were neither eligible to plan investments nor to issue tender invitations on their own. Most of the municipal administrations have since met respective requirements, with FISE confining itself to act as a financing conduit and technical *backstopper*.

The poor section of the population has been identified as the core target group in both the programme objective and the respective analysis. However, only an indirect correlation can

be observed between poverty incidence, the projects' spatial distribution and the invested volumes. Around half of the 121 construction projects were implemented in municipalities with a high or very high poverty incidence (level 1 and 2 of the four-step poverty classification). The poverty relevance can thus be assumed as given, even though the programme was implemented in all regions of the country. The poverty orientation is highlighted even more clearly when the project is placed in the context of the overall programme (including IDB and World Bank funds). Just over 60% of the projects of the entire IDB, World Bank and FC programme were implemented in municipalities classified as poor or very poor. However, the per-capita investment is almost three times as high in the regions with a high incidence of poverty than in the other programme regions.

## **Sub-Rating: 2**

### Efficiency

The adequacy of the invested amounts in relation to services and results obtained seems to be confirmed. In total, around USD 7.03 million were used for infrastructure projects and their support. Around 120,000 direct beneficiaries were reached this way. The average costs per beneficiary are around USD 60. Project sizes vary quite considerably, from USD 7,500 to 203,000, with an average value of around USD 60,000.

An extensive survey by the World Bank – conducted in the course of its 2007 sub-programme evaluation – confirms that over 90% of the projects remained within their original budget. This attests to sound planning and supervision of the construction measures. According to the World Bank, the number of beneficiaries reached is also in line with the planned figures.

FISE's technical *know-how* and management capacities at that point in time are described as professional and transparent. The respondents (especially in the municipal administrations) emphasise their satisfaction with the institution, its staff and the support provided. The documents and calculations of FISE (unit costs, reference prices, standard plans) served as an important reference and were requested even by sector ministries. In particular, the infrastructure types that lent themselves to standardised designs (school construction, health posts) illustrate the added value and core competence of a social investment fund, which lies in implementing a large number of similar projects with corresponding economies of scale. This is borne out by good construction quality, adequate dimensioning and the management, which is described as professional. However, infrastructure types that are difficult to standardise – such as water storage and sports facilities – fare significantly lower. Although deficiencies in the cost-benefit ratio and in construction work were observed in some of these facilities, overall production efficiency is rated as appropriate. Accordingly, the improved access to social and economic infrastructure provided by the programme to previously disadvantaged population segments was, on average, achieved at justifiable expenditure. As a result, the allocation efficiency criterion has therefore also been adequately met.

– FISE’s administrative cost ratio of increased from below 15% during implementation to 26% in recent years, due to a reduction in the number of programmes – against the backdrop of a still extensive administrative bureaucracy.

Implementation took much longer than originally planned. Main reasons for this are FISE’s changed outlook, the absence of consultancy support, and re-structuring and re-orientation in the wake of the 2006 elections and the subsequent change of government. Originally, the programme was to have been completed by March 2006. By that time, only less than 90% of the funds had been invested and numerous individual projects had not yet been completed. Ultimately, the process of putting those residual funds to use extended from late 2006 until 2009.

### **Sub-Rating: 3**

#### Impact

When defining the overall objective, emphasis was placed on strengthening the poorer population segments’ “human capital”. That term was taken from the national development plan for Nicaragua valid at the time; it also featured in the intervention logic for the entire programme (with IDB and World Bank co-financing). In retrospect, it seems more appropriate to replace the previous formulation with “improved living conditions and development opportunities in the programme region”. In this way, the overall objective does not exclusively focus on better development opportunities, but also on actual improvement. In that respect, however, no indicators were defined, as corresponding *baselines* do not exist. As a substitute, a sample of 60 beneficiaries were therefore interviewed individually during the evaluation, with particular emphasis on their perception of how living conditions had changed. In this survey, 81% stated that their living conditions had improved in the past ten years. Only 4.8% judged that no change had taken place during this period. No less than 50% of the respondents stated that the respective infrastructure project of FISE has made an important contribution to improving their living conditions.

In structural terms, the participatory establishment of municipal investment plans was promoted. In that respect, the introduction of so-called “municipality based projects” (“*Proyectos Guiados por la Comunidad*”/ PGC) through the overall programme was especially important. This mechanism has meanwhile become standard practice, and the involvement of the population is compulsory by law. Furthermore, the municipal administrations’ financial situation has stabilised considerably since the start of the programme – due to increased budget allocations. In addition, the municipalities’ technical performance capability has been strengthened by the establishment of appropriate departments and assignment of resources to these departments.

All in all, the picture to date is a positive one, as the supported local administrations have been able to considerably improve their capacities and decision-making skills. However, the government’s (re)centralisation efforts have increased strongly, and certain processes have

been reversed. The mission was unable to establish to what extent political motivation has influenced the increasingly "inclusive" orientation at local level.

## **Sub-Rating: 2**

### Sustainability

Capital-intensive maintenance work and repairs that require skilled specialists are generally a challenge for the beneficiaries. Although the programme has contributed to the expansion of maintenance structures (user committees, promoting awareness among municipal administrations), the fees imposed, e.g. for water supply systems, generally just manage to cover the operating costs. In none of the inspected projects, provisions were set aside for future repair or replacement investments. On the other hand, additional investments made by the municipalities or the beneficiaries (in 21.7% of the cases) showed their interest in the sustainable use of the projects. For example, a water supply unit was expanded using own funds.

As part of the overall programme, a maintenance fund for education and healthcare projects was established at national level. This mechanism was initially established with FISE and funded from IDB resources. Although the government has gradually allowed its own resources to flow into the fund, its implementation and, in particular, its sustainable financing from national budget funds has proven to be critical. According to FISE information, only 15 of the 59 programme municipalities have made use of the maintenance funds, with less than USD 20,000 having been paid out to these municipalities. With IDB financing phasing out, the fund has continued to be financed to a smaller extent, but is now more or less inactive according to the information provided. In this context, one positive aspect should be noted: when allocating funds, the central government obliges municipal administrations to allocate at least 22% to education, healthcare, environmental protection and water. However, the legal basis leaves it open whether these funds are to be used for investment or maintenance purposes. Some, at least some municipal representatives consider the funds to be spent on maintenance work and utilise them accordingly.

In some cases, maintenance work is also complicated by a lack of clarity about operational responsibility for conducting the work. In some project types, this clearly rests with the beneficiaries (e.g., latrines). With other types, the responsibility oscillates between village community and municipal administration (water supply, sports facilities) or between municipal administrations and sector ministries (healthcare stations, schools). Municipal administrations and village communities are primarily involved in smaller maintenance work. They often lack the funds for capital intensive maintenance projects and accordingly rely on support from sector ministries. Although these ministries are basically prepared to provide such support, they are frequently confronted with budgetary constraints. So far, the projects' good construction quality has resulted in low expenditure on maintenance. However, this could change in the coming years.

Regarding the strengthening of municipal administrations, it can be asserted that a lot of know-how has been lost at the decentralised level due to normal staff fluctuation, but especially due to political and organisational changes. Statements on the continuity of technical personnel within the administrations differed greatly. In some cases, the entire administration was exchanged upon election of a new mayor, whereas in other cases, only the directors were replaced. On the other hand, the capacities created and the *know-how* established at project village level are less affected by such fluctuations.

**Sub-Rating: 3**

## Notes on the methods used to evaluate project success (project rating)

Projects (and programmes) are evaluated on a six-point scale, the criteria being relevance, effectiveness, efficiency and overarching developmental impact. The ratings are also used to arrive at a final assessment of a project's overall developmental efficacy. The scale is as follows:

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|---|---|
| 1 | Very good result that clearly exceeds expectations  |
| 2 | Good result, fully in line with expectations and without any significant shortcomings   |
| 3 | Satisfactory result – project falls short of expectations but the positive results dominate                                     |
| 4 | Unsatisfactory result – significantly below expectations, with negative results dominating despite discernible positive results |
| 5 | Clearly inadequate result – despite some positive partial results, the negative results clearly dominate                        |
| 6 | The project has no impact or the situation has actually deteriorated  |

Ratings 1-3 denote a positive or successful assessment while ratings 4-6 denote a not positive or unsuccessful assessment

### **Sustainability is evaluated according to the following four-point scale:**

Sustainability level 1 (very good sustainability): The developmental efficacy of the project (positive to date) is very likely to continue undiminished or even increase.

Sustainability level 2 (good sustainability): The developmental efficacy of the project (positive to date) is very likely to decline only minimally but remain positive overall. (This is what can normally be expected).

Sustainability level 3 (satisfactory sustainability): The developmental efficacy of the project (positive to date) is very likely to decline significantly but remain positive overall. This rating is also assigned if the sustainability of a project is considered inadequate up to the time of the ex post evaluation but is very likely to evolve positively so that the project will ultimately achieve positive developmental efficacy.

Sustainability level 4 (inadequate sustainability): The developmental efficacy of the project is inadequate up to the time of the ex post evaluation and is very unlikely to improve. This rating is also assigned if the sustainability that has been positively evaluated to date is very likely to deteriorate severely and no longer meet the level 3 criteria.

The overall rating on the six-point scale is compiled from a weighting of all five individual criteria as appropriate to the project in question. Ratings 1-3 of the overall rating denote a "successful" project while ratings 4-6 denote an "unsuccessful" project. It should be noted that a project can generally be considered developmentally "successful" only if the achievement of the project objective ("effectiveness"), the impact on the overall objective ("overarching developmental impact") and the sustainability are rated at least "satisfactory" (rating 3).