

**Nicaragua: Social Investment Fund Programme "FISE III"**

**Ex-post evaluation**

<b>OECD sector</b>	16310 – Social welfare / Social services	
<b>BMZ project ID</b>	1995 67 009	
<b>Project-executing agency</b>	Fondo Social de Emergencia "FISE"	
<b>Consultant</b>	Hydroplan	
<b>Year of ex-post evaluation</b>	2004	
	<b>Project appraisal (planned)</b>	<b>Ex-post evaluation (actual)</b>
<b>Start of implementation</b>	3/1996	8/1997
<b>Period of implementation</b>	21 months	54 months
<b>Investment costs</b>	EUR 15.7 million	EUR 14.4 million
<b>Counterpart contribution</b>	EUR 2.9 million	EUR 1.3 million
<b>Financing, of which Financial Cooperation (FC) funds</b>	EUR 12.8 million	EUR 13.1 million (including interest on the disposition fund account)
<b>Other institutions/donors involved</b>	World Bank, Inter-American Development Bank	World Bank, Inter-American Development Bank
<b>Performance rating</b>	3	
<b>• Significance / relevance</b>	3	
<b>• Effectiveness</b>	3	
<b>• Efficiency</b>	3	

**Brief Description, Overall Objective and Project Objectives with Indicators**

The Nicaraguan social investment fund Fondo de Inversión Social de Emergencia (FISE) promotes measures to rehabilitate and expand the social and economic infrastructure in poor regions throughout the country under the government's economic and social policy. The ongoing 4th programme of FISE (2002-2004, volume of approximately USD 140 million), which is being co-financed by the World Bank, the Inter-American Development Bank (IDB) and within the framework of German Financial Cooperation (FC) through the FC programmes FISE IV (in part) and FISE V, builds on this role of FISE but puts a much stronger emphasis than its predecessors on strengthening local structures in the interest of decentralization (transfer of project management to the community administrations) and participation (involvement of the population in decisions that are important to them at the local level).

The objectives of the third FC programme FISE III, conducted between August 1997 and the beginning of 2002, were (1) to improve the access to social and economic infrastructure facilities for poor groups of the population, (2) to create mass employment and income for poor people for a limited period of time, (3) to enable sustainable use of functioning facilities of social and economic infrastructure, and (4) to involve the beneficiaries and the community administrations in the selection, preparation, implementation, operation and maintenance of the projects. Under the Emergency Relief Programme Mitch (Hurricane Mitch, 1998) the repair of

damage from the hurricane, the reconstruction of infrastructure facilities and the creation of income for poor people affected by Hurricane Mitch were added. This was intended to contribute towards improving the social and economic situation of the population in the poor regions of Nicaragua (the overall objective). No indicators were defined to measure achievement of the overall objective.

Six indicators were defined to measure whether the programme objective had been reached:

- Indicator 1: Regional distribution of the FC funds according to the degree of relative poverty without any major deviations from the ex-ante planning (objective 1).
- Indicator 2: Speed of implementation: Disbursement of the FC funds within 21 months until the end of 1997 (objective 2).
- Indicator 3: Impact on employment and incomes: wages account for at least 25% of costs (objective 2).
- Indicator 4: Proper use of the facilities: utilization of at least 80% of capacity (objective 3).
- Indicator 5: Proper operation, maintenance and repair of the projects: serious problems occur under a maximum of 20% of the projects (objective 3).
- Indicator 6: Substantial improvement of participation in all phases of the project cycle: implementation of the most important results of the relevant studies in the practical work of FISE; existence of water user committees in all water supply projects (objective 4).

The target group of the overall programme comprised the inhabitants of those parts of the country most affected by poverty, where there is a special need for the rehabilitation or expansion of the social and economic infrastructure (roughly 1 million extremely poor people in 151 communities). The large majority of the target group were small farmers, craftsmen, rural workers, day laborers and their families. An important share of the target group comprised single women who, as heads of household, often have to care for several children and work at the same time. Improving their living conditions and relieving them of part of their burden were the most urgent tasks.

With regard to indicator 1 it can be noted that the regional distribution of FC funds under the regular programme in accordance with the poverty map valid until 1997 was achieved. However, according to the poverty map which applied to the programme implementation in the years 1998 to 2001 the indicator was not achieved. This was primarily due to the emergency situation in the wake of Hurricane Mitch. The Fund did not return to its original procedures until 1999, after which it increased per-capita investments in extremely poor communities. Overall, we rate the indicator as sufficiently achieved.

Indicator 2: The originally planned speedy disbursement of FC funds (planned at project appraisal: disbursement within 21 months until the end of 1997) was not achieved. The disbursement of funds from the disposition fund was delayed until February 2000. Contrary to the planning (start of operation of the established infrastructure facilities by December 1997) the successive start of operation of the established facilities was delayed by four years and was not concluded until March 2002. The indicator was clearly not fulfilled. However, this was partly due to the requirements of the emergency programme, which was implemented fast, unbureaucratically and efficiently by FISE. During this time other measures were deliberately postponed. Another influencing factor which affected the length of the implementation period was the introduction of participatory planning processes (MPP), which in general we assess as very positive. Thus, we can accept the fact that the indicator was missed.

Indicator 3: In the 141 projects which were entirely implemented and concluded in the context of the regular FISE III programme, around 9,000 people found temporary employment. We have no knowledge of the exact number of people who found employment under the Mitch emergency programme nor information on the share of wages in the total costs of the programme. It can be assumed that considerable temporary employment effects were achieved during the implementation of the construction measures. However, these effects were only for a limited period of time and did not have any structural effect. Still, we rate the indicator as sufficiently achieved.

The indicators 4 and 5 were combined: proper use, operation and maintenance of the supported individual projects (at least 80%). The random check carried out during the final evaluation

revealed that the water supply is being maintained relatively well. Yet there are serious problems with regard to sewage disposal. The maintenance of schools, health posts and latrines is only slightly deficient, but that of the 'comedores infantiles' has more serious deficiencies. The 'comedores infantiles' (cafeterias for children) are not offering free meals. The kitchens are not being used. Their concept of use has changed in that they are now being used as kindergartens. Apart from water supply and the latrines, all other individual projects are affected by structural underutilization (schools, kindergartens; utilization of capacity to approx. 70-80%) or by substantial underutilization (health posts: utilization of capacity to approx. 10%). In terms of maintenance, serious problems were noted for the health posts (lack of trained personnel and medical equipment). Certain deficiencies can be ascertained for the schools as well: the problem here is insufficient supply with schoolbooks. An evaluation conducted by the World Bank showed that the impacts of the social infrastructure created by FISE were far more positive than the results of the random check carried out during the final evaluation. Taking the study by the World Bank into account, we assume that overall around 70-80% of the financed facilities are being properly used, operated and maintained. The projects fell short of the target indicator, but to an acceptable degree.

Indicator 6: In this project, for the first time the participatory community planning scheme (MPP) developed by FISE was applied to prioritize and select individual projects. This took place at the end of phase III. Thirty-three individual projects (of 141 projects) were selected during participatory community planning processes, including transfer of the project management to the community administrations. Against the backdrop of the positive capacity-building effects of the initial introduction and application of MPP in Nicaragua, we consider the indicator to be achieved to a satisfactory degree.

From today's point of view, the target group is defined too broadly and not precisely enough. It covers all of the poor areas of the country. It was not specified further (e.g. according to age groups). A baseline study, which would have provided evidence of any sustainable improvements in the living conditions and income situation of the target group at the time of the final evaluation, was not conducted. As regards consideration of women as a top priority, an action plan containing gender aspects was not adopted until the end of the programme period in 2001 with the support of the consultant at that time. Yet, the action plan was no longer relevant for the FC programme FISE III, which is the subject of this final evaluation. The share of women on the maintenance committees is 44% and of those taking part in the elaboration of the participatory community plans, around 33%. We judge the programme objectives to have been achieved to a sufficient degree overall.

### **Project Design / Major Deviations from the original Project Planning and their main Causes**

The entirety of the activities under FISE III during the period of review (1997-2002) comprised the 'regular programme' (853 individual projects) and the emergency programme to cover the damage caused by Hurricane Mitch (882 projects). In addition, 27 individual projects (MPP) to strengthen the communities were financed, as were consulting services. 69% of the total cost of the regular programme was attributed to the educational sector (487 schools), 12% to the water sector (99 projects), 8% to the health sector (159 projects), 6% to the field of social protection (44 projects) and 5% to the field of community services (64 projects). Altogether, FC funds were used to finance 141 projects (of 853) under the regular programme from beginning to end: 92 schools, 39 projects to strengthen and/or build up user committees, 5 health stations, 4 projects in the field of social protection (kindergartens) and 1 urban water supply project. 712 projects were partially financed (e.g. project definition or project monitoring) and, according to information provided, received funds from other donors and are either currently being implemented or have already been completed. The sector breakdown and the number of individual projects realized (project appraisal: 500) deviate from the plans at the time of the appraisal. This was caused by the requirements of the emergency programme and by the participatory processes. Contrary to expectations at the time of the project appraisal, the number of water supply projects did not increase. As a result of the emergency programme, important regional transport connections were reinstated and heavy damages to the economic and social infrastructure were repaired.

The activities of the consultant (Hydroplan) mainly comprised providing advice to FISE on how to strengthen the community administrations, on monitoring the entire project cycle of FISE and on elaborating a gender action plan.

### **Key Results of the Impact Analysis and Performance Rating**

The cost-efficient implementation of the individual projects was ensured through the use of standardized plans and standardized cost estimates for all project types taken into consideration (e.g. schools, kindergartens, health posts). They were basically suitable for the majority of the measures. However, the efficiency of operation of the kindergartens and health posts was considerably limited by the fact that the buildings constructed are too large for their actual purpose, and the number of actual users is far below expectations due both to this limitation and to unreliable supply with drugs and insufficient trained personnel (health posts). Thus, the costs associated with these project types were high, i.e. the investments did not serve their purpose to an adequate degree.

The ministries in charge are only partly assuming their responsibility for ensuring operation and maintenance. The Ministry of Education (MEDC) is relatively reliable when it comes to providing teachers, but not as much when it comes to teaching materials/schoolbooks. The required equipment (personnel, drugs) for the health posts is not assured by the Ministry of Health (MINSa). User committees have been formed primarily for the priority investments in schools and kindergartens. We consider this positive. Minor repairs are carried out on the initiative of individuals. Major repairs (roof, ceiling) are partly financed out of the community maintenance fund (FMP) upon application to the community administration.

An economic return on the capital invested cannot be calculated because the impacts expected of the individual projects are mostly of a social and socio-economic nature. The project for which this final evaluation has been carried out made an important contribution to decentralization efforts. As of 1998, the participatory community development scheme (MPP) developed by FISE was introduced in a total of 60 communities. 33 individual projects under the regular programme were planned based on MPP. The MPP, which was applied by FISE in an FC project for the first time, is today a standard for all community investments in Nicaragua. In addition, at the end of 1999, under a pilot project nine community administrations assumed key project management tasks on their own - with the support of FISE - to implement community investments. Participation by the beneficiaries in the individual projects and the initial application of participatory processes (MPP) have had vital, long-lasting capacity-building effects. However, the MPP was not applied until the end of the programme. What is more, the relatively high costs associated with MPP indicate a varying degree of efficiency.

The strengths of the programme include its poverty orientation. The project funds were used primarily in poor and/or extremely poor regions of the country on the basis of poverty maps. Although social infrastructure projects cannot distinguish between users who are poor and those who are not, the majority of the population at the selected project locations is poor. The target group played a key role in the planning of the individual projects. The population at the project locations tends to perceive the individual projects as a noticeable contribution to poverty reduction. Additionally, for a limited time the programme generated employment and income for poor people (especially the road construction and repair measures under the emergency programme).

Women have unhindered and equal access to the social infrastructure facilities created under the programme. During the final evaluation it was noted that the measures relieved mothers of only part of their burden. In the kindergartens there were so-called 'surrogate mothers' who, apart from their daily tasks, were also responsible for caring for the children at the center. They considered this as an additional burden. A similar trend was noted for the voluntary work in the school committees. Once again, it was mainly mothers who, apart from their daily tasks, organized meetings, filled in applications and took care of necessary repairs.

The risks listed in the project appraisal report are today as follows: the dreaded political influence on the use of the funds through the board of supervisors did not play a detectable role. Seen from today's perspective, there is however a certain risk to the sustainable operation of the facilities, in particular the health posts and today's kindergartens, but also of the schools.

Here there have not been any substantial improvements, neither since our final evaluation of FISE I in December 1997 nor since our final evaluation of FISE II in December 2000.

Based on a combined assessment of all impacts and risks described above, we have arrived at the following rating of the project's developmental effectiveness:

### Effectiveness

The programme objectives - improving the access of the poor groups of the population to sustainably functioning facilities of social and economic infrastructure and creating employment and income for poor groups of the population over a limited period of time - were sufficiently met overall. Although the water supply systems tend to be well maintained, there are serious problems with the sewage disposal. The 'comedores infantiles' (cafeterias for children) are not offering children free meals. The kitchens are not being used. Instead, the buildings are now being used as kindergartens. Apart from water supply and the latrines, all other individual projects are affected by structural underutilization (schools, kindergartens; utilization of capacity to approx. 70-80%) or by substantial underutilization (health posts: utilization of capacity to approx. 10%). In terms of maintenance, serious problems can be noted at the health posts (lack of trained personnel, medical equipment and drugs). Certain deficiencies can be ascertained for the schools (priority investment) as well. The problem here is insufficient supply with teaching materials/schoolbooks. We assume that overall around 70-80% of the financed facilities are being properly used, operated and maintained. We deem it positive that a vital contribution to decentralization and to the introduction of participatory processes has been made under the programme, one that goes far beyond the limits of the programme itself. The fact that fast support was provided under the emergency programme – especially in the form of road rehabilitation - is particularly positive. As part of the emergency component the social fund fully exhausted its inherent strengths and potential. Overall we judge the effectiveness of the programme – taking special account of the limited expectations of the sustainability of the emergency programme – to be sufficient (**partial evaluation: rating 3**).

### Significance / Relevance

All measures carried out under the regular programme and the emergency programme were in principle developmentally relevant. However, given the weaknesses in operation and in the utilization of subcomponents the programme can only be plausibly regarded as having made a sufficient contribution towards durably improving the social and economic situation of the poor and extremely poor people in the five programme provinces. We rate the project's significance/relevance as sufficient (**partial evaluation: rating 3**).

### Efficiency

We rate the production efficiency as sufficient. Although in principle the unit costs and technical design are adequate, some of the individual projects are oversized owing to their partial use (kindergartens, health posts). The project-executing agency FISE still has capacity to increase its efficiency. There are deficiencies concerning the administrative-financial processing of the individual projects and the poor comprehensibility and documentation of decisions and data (lack of transparency). We rate the allocation efficiency as sufficient: most of the individual projects were chosen on the basis of a poverty map. Taking the two sub-criteria into consideration, we rate the project's efficiency as sufficient (**partial evaluation: rating 3**).

In consideration of the sub-criteria mentioned above, we rate the developmental effectiveness of the project as sufficient overall (**overall evaluation: rating 3**).

### **General Conclusions**

A recurring experience with social investment funds is that, owing to their structural integration, they report directly to a country's president and are thus subject to a certain influence guided by the president's particular interests. This is demonstrated by the inner organizational culture of presidential protection, which does not necessarily encourage a process of institution-building within the meaning of the development of institutional performance. Most funds have seen their original institutional concept change (from emergency programmes for social cushioning to

permanent institutions for rural infrastructure financing). These institutional changes should be taken into account through a structural separation of the president and the institution.

The participation and identification of the users with the facilities constructed are necessary conditions for a sustainable operation, but they are not sufficient on their own. Additional conditions include an accurate definition of responsibilities and assurance of the availability of funding for maintenance and operation of the social and economic infrastructure facilities created as well as better coordination with the competent sector ministries.

**Legend**

Developmentally successful: Ratings 1 to 3	
Rating 1	Very high or high degree of developmental effectiveness
Rating 2	Satisfactory degree of developmental effectiveness:
Rating 3	Overall sufficient degree of developmental effectiveness
Developmental failures: Ratings 4 to 6	
Rating 4	Overall slightly insufficient degree of developmental effectiveness
Rating 5	Clearly insufficient degree of developmental effectiveness
Rating 6	The project is a total failure

**Criteria for the Evaluation of Project Success**

The evaluation of the "developmental effectiveness" of a project and its classification during the ex-post evaluation into one of the various levels of success described in more detail below concentrate on the following fundamental questions:

- Are the **project objectives** reached to a sufficient degree (aspect of project **effectiveness**)?
- Does the project generate sufficient significant **developmental effects** (project **relevance** and **significance** measured by the achievement of the overall development-policy objective defined beforehand and its effects in political, institutional, socio-economic and socio-cultural as well as ecological terms)?
- Are the **funds/expenses** that were and are being employed/incurred to reach the objectives **appropriate** and how can the project's microeconomic and macroeconomic impact be measured (aspect of **efficiency** of the project concept)?
- To the extent that undesired (**side**) **effects** occur, are these tolerable?

We do not treat **sustainability**, a key aspect to consider for project evaluation, as a separate category of evaluation but instead as a cross-cutting element of all four fundamental questions on project success. A project is sustainable if the project-executing agency and/or the target group are able to continue to use the project facilities that have been built for a period of time that is, overall, adequate in economic terms, or to carry on with the project activities on their own and generate positive results after the financial, organizational and/or technical support has come to an end.