

Nicaragua: Social Investment Fund Programme (FISE) IV

Ex-post evaluation report

OECD sector	16310 / Social welfare, social services	
BMZ project ID	1998 66 328	
Programme-executing agency	Fondo de Inversión Social de Emergencia (FISE)	
Consultant	GOPA	
Year of ex-post evaluation	2006	
	Project appraisal (planned)	Ex-post evaluation (actual)
Start of implementation	Q2, 1999	Q4, 1999
Period of implementation	2 years	3 years
Investment costs	EUR 16.2 million	EUR 21.6 million*
Counterpart contribution	EUR 1.9 million	EUR 4.7 million
Financing, of which Financial Cooperation (FC) funds	EUR 14.3 million	EUR 16.9 million**
Other institutions/donors involved	World Bank, Interamerican Development Bank	World Bank, Interamerican Development Bank
Performance rating	3	
• Significance/relevance	3	
• Effectiveness	3	
• Efficiency	4	

* Including the maintenance fund and FISE administration costs.

** Including an increase by EUR 2.6 million for “emergency measures to repair the damage caused by hurricane Mitch”, taken from FISE III funds.

Brief description, overall objective and project objectives with indicators

The project “Fondo de Inversión Social de Emergencia IV (FISE IV)” (Social Emergency Investment Fund IV) contributed to the implementation of the third programme of the Nicaraguan Social Investment Fund FISE that finances measures for the rehabilitation and expansion of the social and economic infrastructure in poverty areas throughout the country. The programme puts a much stronger emphasis than its predecessors on strengthening local structures in the sense of promoting decentralisation. The objectives of the FC programme carried out from November 1999 until the end of 2002 were (1) to expand and improve access to and the sustainable use of the social and economic infrastructure by poor sections of the population and (2) to increase the weight and influence of the beneficiaries and municipal authorities in the overall project cycle. The overall programme objective was to contribute to improving the social and economic situation of the population, particularly in the poor regions of Nicaragua.

No indicators were defined to measure the achievement of the overall objective. The following indicators were defined to measure the achievement of the programme objectives:

Regarding programme objective 1:

- Indicator 1: At least 85% of FISE funds from the overall programme are used in accordance with the poverty map and the ex-ante distribution derived from it.
- Indicator 2: At least 75% of the equipment in place financed from FC funds is being operated and utilised properly two years after its completion.

Regarding programme objective 2:

- Indicator 3: 100% of the projects financed through FC funds are selected in a participatory planning approach.
- Indicator 4: The implementation of at least 75% of the projects is monitored by the user committees (FC programme).
- Indicator 5: At least 10% of the projects are implemented by the municipal authorities.
- Indicator 6: At least 25% of the members of the committees and bodies at the village and communal levels are women (FC programme).
- Indicator 7: At least 25% of the projects are carried out by NGOs (overall programme).
- Indicator 8: Two years after completion at least 75% of the infrastructure projects in the fields of education and health are maintained properly (using the funds from the established maintenance fund).

On the one hand, the target group of the FC programme was the needy population, particularly in the poor rural areas. On the other hand, also the municipal authorities were considered to be beneficiaries of the programme.

Programme design / major deviations from the original programme planning and their main causes

Under the FC programme, approx. 720 investment measures were implemented in the context of the different individual projects of social infrastructure and consulting services were rendered. The sectoral focus of the individual projects, which were financed mainly from FC funds, was on schools (67% of FC funds) and other child care institutions (8% of FC funds), the health sector (8% of FC funds and 4% for the construction of latrines), drinking water supply (9% of FC funds), individual projects to improve roads and sports grounds (2% of FC funds) and 33 further training measures for the user committees.

Complementary to the investments in fixed assets, technical departments were established in a pilot phase in 12 communities. The financial particularity of the third overall FISE programme was that all available donor funds were administered by the programme-executing agency as one joint fund, although formally the project was not a programme-based joint financing. Delays and operational problems resulted from the fact that during the implementation period, a very extensive overall programme was carried out by the programme-executing agency that somewhat exceeded its capacities; this led to inaccuracies in the planning of the individual projects. The technical planning procedures of the individual projects at the local level were developed further in a comparatively slow way. Although the project profiles developed by the technical departments of the communities reflected the expectations and wishes of the population, their design was not always adapted sufficiently to changing conditions and technical feasibility.

The participation of the target groups was one of the strengths of the implementation concept. Generally, the users in the different project locations participated in the project identification

process and formalised participative procedures (“microplanificación participativa” - participative microplanning) were applied under a multiannual investment planning on the communal level. In addition to experts, representatives of the users also participated in the technical supervision of the construction measures. So-called “comités de seguimiento” (monitoring committees) were appointed from the user groups; they acted as civil inspectors and complemented the technical inspection of the construction works. This combination of innovative control instruments has proven to be effective and contributed to strengthening the identification of the target groups with the programme measures and to revealing delays and irregularities at the construction sites. The representatives of the users were trained on subjects of general hygiene, the establishment of volunteer organisations as well as the maintenance and operation of the financed facilities, with special emphasis on the participation of women.

Generally, the construction measures were of good quality. The creation of school canteens (8% of FC funds) has not proven to be appropriate considering the existing school capacities. As regards the drinking water supply projects, there were considerable uncertainties regarding the choice of technology which led to deficiencies of the equipment installed and which had a negative impact on the programme’s contribution to solving the problem.

In an ex-post analysis, the inclusion of a social fund in the project design seems to have been adequate in some respects, whereas in others it was not so favourable: The assets of the programme are rooted in the participation of the target groups, in its openness to new modes of implementation and the relatively strict control of the use of funds. In some areas the projects showed deficiencies in the technical planning.

Key results of the impact analysis and performance rating

The on-site inspection of a representative selection of 15 individual projects under the ex-post evaluation showed that the newly-built facilities (schools, health posts, drinking water supply systems and some paved roads) are in a relatively good state of repair. On the other hand, there is the sub-optimal usage of facilities, particularly schools and school canteens; the real number of users was approximately 30-50% below the planned figures. In some cases, the minimum figure of 30 pupils per learning group was only just reached. This was due to the planning weaknesses of FISE and the sectoral ministries; for example, demographic changes were not appropriately considered in the planning process. In phase IV there were serious uncertainties regarding the choice of technology for the drinking water supply systems. This caused considerable technical problems. From today’s perspective we assume that future maintenance of the newly-built infrastructure will be largely ensured, given the fact that users and communities make contributions to maintenance (money and labour) and that the maintenance fund established by the government on initiative of the donors has repeatedly provided considerable funds for primary schools and health posts. In all relevant project types (building construction), maintenance committees have been set up. Minor repairs are carried out on the initiative of individuals or on a cost-sharing basis. The maintenance fund is used for periodic repairs. However, there have been delays in the processing of the applications and the authorised funds are not sufficient to finance the repair works for all the facilities.

The sectoral ministries assume their responsibility to secure the operation of the facilities only to a limited extent. The Ministry of Education is relatively reliable in assigning personnel and providing teaching materials, but does not react adequately to changes in the settlement structure or in the demographic development. The Ministry of Health is lacking sufficient funds to begin operating the newly-built facilities in a timely manner. Some of the facilities are still lacking important equipment (for example for birth assistance). The coordination between the communities and/or the rural districts and the sectoral ministries was organised in such a way that the locally operating representatives of the ministries have to give their approval for the

individual projects and also for applications to obtain money from the maintenance fund. However, the communities' mandate for primary education and basic health has not been defined clearly which makes the coordination with the sectoral ministries more difficult, for example regarding demand planning. The cost-efficient implementation of the individual projects was ensured through the use of standardised plans and cost estimates for all different types of measure (e.g. schools, school canteens). These unit costs were calculated too conservatively so that the materials used are not always of the necessary quality. However, some of the facilities are overdimensioned given the low number of users (education sector) and/or the fluctuations in the operation of facilities (health sector). Some of the dug wells (the number of which cannot be specified more precisely) did not go into operation due to low groundwater levels. Due to the low capacity utilisation and/or operational deficiencies, the costs of these project types were high.

A macro-economic return on the capital invested cannot be calculated because the expected impacts of the individual projects are mostly of a social and socio-economic nature. The strengths of the programme include its relative poverty orientation. The projects were implemented in rural areas (primarily in former civil war areas) where the share of poor people exceeds 50%. Due to the participatory approach, poor people are actively involved in the planning and implementation of individual projects and contribute to their implementation, often with labour contributions. The strengthening of the decentralisation process was an explicit programme objective, which has been largely achieved. The participation of the beneficiaries in the planning of the individual projects was an essential element of the programmes. The "comités de seguimiento" (monitoring committees) appointed from the user groups contribute to the improvement of good governance through their (co)inspection of public construction works. The project showed potential for improving the situation with regard to gender equality. This potential has been used. The programme has contributed to a stronger visibility of women in public offices. The project was not geared towards protecting the environment or natural resources. The individual projects produced no discernible negative impact on the environment.

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

- The objectives of the programme – improving the access of poorer groups of the population to sustainably functioning facilities of social and economic infrastructure and increasing the weight and influence of the beneficiaries and municipal authorities in the overall project cycle - have been achieved just sufficiently. However, the achievement of programme objective 1 is marked by serious deficiencies: The subcomponents in the fields of schools and school canteens, which accounted for three-quarters of the funds spent, are functioning satisfactorily. However, the facilities are not being used to their full capacity. The school canteens do not have a sustainable operating concept, but compete with the pre-schools established by the Ministry of Education and depend on food donations. The subcomponent in the field of health posts (9% of the FC fund volume) is marked by considerable problems in terms of equipment and operation (lacking availability of funds from the sector budgets). With regard to sustainability it is to be judged positively that Nicaragua has formulated ambitious sectoral standards for the education and health sectors and that the social service sector is functioning better than in some neighbouring countries. For example, teachers give lessons regularly and are making an effort to maintain an adequate level in teaching the multi-grade classes. School supervision is also functioning. In the health sector, the availability of basic drugs has improved compared with preceding periods. As regards the achievement of a sustainable development, the extension of the road and path network has been neglected. This has had a negative impact on the effective access to schools and health facilities. Not all drinking water supply projects did contribute sufficiently to solving the existing problems and not all of them are being operated sustainably. A positive aspect,

however, is that investments in the sanitation sector were accompanied by sensitisation measures on hygiene issues. In addition, the programme has had a positive impact on decentralisation: The newly-introduced participation mechanisms at the community level are sustainable. The participation of the target groups in the planning and maintenance of the facilities has been comparatively successful, the sustainability of the further training measures for the volunteers of the user committees is limited due to the natural rotation of the committee members. We classify the programme's effectiveness as just sufficient (sub-rating: rating 3).

- The assumed interaction of impacts, i.e. that the expansion of the community infrastructure will help improve the social and economic situation of the population living on the municipal level, was essentially plausible (relevance). As regards the programme impact, it was possible - through the introduction of participatory measures at the level of the target groups, the decentralisation of the project cycle and the integration of the communities - to increase the participation of the population and the municipal authorities and to establish a civil control system of public construction works. A survey among the target group indicated that the offer of basic infrastructure has increased considerably and that living conditions have improved accordingly. The impact in terms of better qualifications at the community level is significant: The technical departments of the pilot communities (and meanwhile of many other communities) are now able to oversee the implementation of the individual projects on their own responsibility. The allocation of budgetary funds to a maintenance fund was an innovative instrument at the time of programme implementation and of great importance to ensure higher sustainability of the newly-built infrastructure for the target group through better maintenance. The fact that the effective number of users is considerably lower than the originally assumed number somewhat reduced the programme's significance. We evaluate the overall relevance/significance of the programme as sufficient overall (sub-rating 3).
- Due to the chosen implementation concept, the costs of the construction works (standard design, standard prices, etc.) were acceptable. However, this statement must be qualified to a certain extent since the technical design of some of the individual projects could have been smaller in scale due to the lower number of users. With regard to the efficiency of the programme-executing agency it has to be stated that besides the comparatively high administrative costs involved, the agency acts relatively sluggishly for being a Social Investment Fund and has developed only few incentives to assume responsibility and make a contribution to solving the existing problems. The allocation efficiency was reduced due to the fact that in the field of rural drinking water supply, cost-covering tariffs were not introduced. Overall, we rate the projects' efficiency as slightly insufficient (sub-rating: 4).

In consideration of the sub-criteria mentioned above, we judge the developmental effectiveness of the programme as still sufficient (overall evaluation: rating 3).

General conclusions and recommendations

The participation and identification of the users with the facilities constructed are necessary but not the only prerequisite for the sustainable operation of these facilities. Other indispensable prerequisites include a thorough analysis of needs taking into account changes in the local conditions, a realistic assessment of the financial capacity of the sectoral ministries and the final users, a technically appropriate design (particularly in the field of drinking water supply) and the precise definition of responsibilities for the different tasks as well as ensuring the provision of funds needed for maintenance and operation in the medium term. To strengthen planning at the community level in future phases of support, the technical planning of the individual projects is

to be given more weight and has to be based on a geographically and sectorally balanced overall planning.

In an ex-post analysis it appears that, in terms of problem-solving and project implementation, the social investment fund alternative is an alternative superior to a “sectoral approach” only if the fund selected as programme-executing agency operates considerably more efficiently than other public institutions and formulates quality objectives which go beyond the construction phase. Thus, in the event of new projects sector-specific quality objectives are to be formulated, which comprise the operation phase. These quality objectives are to be given stronger weight than the objectives and indicators regarding participation (though equally legitimate).

Drinking water supply projects are comparatively complex from a technical point of view and require, above all, technical solutions which take into account the specific local conditions. Thus, they are less appropriate for the standardised processes which are usually applied by the Social Investment Fund.

The creation of a national maintenance fund is an appropriate means to reduce the maintenance problems of the communities which are the true operating agencies of the projects financed by the Social Investment Fund.

If several donors finance a social investment fund, this should be done by really “pooling” the funds. In this way the fund would not have to assign the different credit lines provided by the donors to the different projects. This would considerably reduce administrative costs and efforts.

Promoting the construction of private latrines via a social investment fund is only reasonable at those sites where the impact of the principal component (drinking water supply) would be strongly impaired if such latrines did not exist. In such cases, higher contributions than in communal infrastructure projects should be requested from the beneficiaries and a transparent awarding procedure should be introduced, which offers the same opportunities to all the interested parties.

Assessment criteria

Developmentally successful: Ratings 1 to 3	
Rating 1	Very high or high degree of developmental effectiveness
Rating 2	Satisfactory 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 conception)?
- 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, organisational and/or technical support has come to an end.