

**Atlantic Coast Local Development Program
(NI-0107)**

EXECUTIVE SUMMARY

Borrower:	Republic of Nicaragua														
Executing agencies:	Social Investment Fund (FISE); The North Atlantic Autonomous Region (RAAN); The South Atlantic Autonomous Region (RAAS); Ministries of Health (MINSA) and Education (MEDC).														
Amount and source:	<table><tr><td>IDB: (FSO)</td><td>US\$ 8,000,000</td></tr><tr><td>Local:</td><td>US\$ 892,479</td></tr><tr><td>Sub-Total:</td><td>US\$ 8,892,479</td></tr><tr><td>IDB: (FSO non-reimbursable TC)</td><td>US\$ 330,000</td></tr><tr><td>Local:</td><td>US\$ 33,000</td></tr><tr><td>Sub-Total:</td><td>US\$ 363,000</td></tr><tr><td>Total:</td><td>US\$ 9,255,479</td></tr></table>	IDB: (FSO)	US\$ 8,000,000	Local:	US\$ 892,479	Sub-Total:	US\$ 8,892,479	IDB: (FSO non-reimbursable TC)	US\$ 330,000	Local:	US\$ 33,000	Sub-Total:	US\$ 363,000	Total:	US\$ 9,255,479
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Financial terms and conditions:	<table><tr><td>Amortization Period:</td><td>40 years</td></tr><tr><td>Grace Period:</td><td>10.5 years</td></tr><tr><td>Commitment Period:</td><td>3.0 years</td></tr><tr><td>Disbursement Period:</td><td>3.5 years</td></tr><tr><td>Interest Rate:</td><td>1% first ten years and 2% thereafter</td></tr><tr><td>Supervision and Inspection:</td><td>1% of loan amount</td></tr><tr><td>Credit Fee:</td><td>0.5% p.a. on undisbursed balance</td></tr></table>	Amortization Period:	40 years	Grace Period:	10.5 years	Commitment Period:	3.0 years	Disbursement Period:	3.5 years	Interest Rate:	1% first ten years and 2% thereafter	Supervision and Inspection:	1% of loan amount	Credit Fee:	0.5% p.a. on undisbursed balance
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Objectives:	<p>The objective of this program is to strengthen the governance capacity of Atlantic Coast institutions to guide and manage the region's sustainable development. Specifically, the program will:</p> <ul style="list-style-type: none">(i) strengthen Regional Government capacity in financial management, administration and development planning;(ii) create community and municipal capacity in project identification and land use planning and natural resource management through the introduction of a participatory planning methodology (PPM); and(iii) undertake innovative interventions that will address the key issues and lay the basis for strengthened regional delegations of the health and education ministries.														
Description:	<p>The program is conceived as a cross-sectoral operation. It is founded on the dual premise that the development of the Atlantic Coast is conditioned by the capacity of its institutional framework and that the weak and incipient Regional Governments can become competent development counterparts through a process of learning by doing. The program envisages substantial investments</p>														

in training, technical assistance and other capacity building activities so local people can acquire the skills to manage development programs.

Capacity building activities will strengthen the role of Regional Governments as facilitators rather than as direct providers of services. In this respect the financial resources available for local investments will be used to finance viable local projects with satisfactory rates of social returns and will act as an incentive to adopt institutional reforms that might otherwise face substantial barriers. The program seeks to build working relations between Regional and Municipal Governments and between Regional and Central Government. The program builds on the Atlantic Coast development programs financed by other financial and development institutions and is designed to promote further coordination between the proposed operation and these ongoing efforts during execution.

The program consists of three components (i) Institutional strengthening of the Regional Governments; (ii) Local investments in participatory planning and small-scale priority projects; and (iii) Innovative interventions in: (a) health and (b) education. Program management activities will also be financed.

Institutional strengthening of the Regional Governments (US\$2,487,015)

This component will finance a technical assistance package to enhance the capacity within the Regional Governments to fulfill their strategic responsibilities in: (i) assisting Municipal Governments to develop their administrative, planning and financial capacity for these to assume their corresponding responsibilities; and (ii) co-ordination of inter-institutional efforts to define sustainable regional development strategies.

The technical assistance package will cover four key areas: (i) introduction of an organizational structure designed to meet the Regional Governments' strategic responsibilities; (ii) modernization of administrative and financial procedures through the introduction of SIGFA¹ compatible systems; (iii) design of mechanisms to support the financial sustainability of Regional and Municipal Governments; and (iv) creation of Regional Technical Units (RTUs) within the Regional Governments. The RTUs will assist the development of financial, accounting and internal control systems within the Regional Governments. The RTUs will also support: (a) the development of Municipal Government capacity in the areas of administration, land use planning, and natural resource

¹ Sistema Integrado de Gestión Financiera, Administrativa y Auditoría

management; and (b) the introduction of PPM to identify local priority projects as well as its incorporation into a process of regional planning and public investment programming.

Local Investments (US\$2,000,000.)

This component will finance two sets of activities. It will finance the implementation of a PPM at the municipal level that will identify priority projects (US\$400,000). It will also provide financial resources for investment in priority local projects (US\$1,600,000).

The availability of funds for investments in priority projects will provide an incentive for the Regional Governments to adopt sound management practices that would otherwise face substantial barriers. Access to the resources for priority projects will therefore be conditioned upon the Regional Governments achieving acceptable levels of performance previously agreed upon with the Bank, as measured by benchmark indicators.

Innovative Interventions in Health and Education (US\$ 3,196,005.)

This component will finance selected innovative interventions in health and education designed to generate pertinent lessons that will: (i) address Atlantic Coast specific problems in the sector; (ii) inform national policy debates; and (iii) integrate Atlantic Coast issues into national sector plans. The program will support a pilot project in telemedicine and the introduction of a new model of school supervision. The program does not aim to address all the health and education problems of the region but rather to make a modest contribution in addressing priority issues through enhancing the provision of services at the regional level and strengthening the institutional presence of the respective line ministries.

Regional Drug Prevention Plan (US\$363,000)

Due to the region's location along a cocaine transshipment route, local consumption of cocaine and crack-cocaine has increased significantly over the last few years. In coastal indigenous communities, escalating levels of drug-related violence and crime are eroding traditional community structures. Non-reimbursable FSO resources (US\$330,000) will finance a technical cooperation that will support activities for the prevention of illegal drug consumption in Atlantic Coast communities. The Plan of Operation is attached as Annex III.

Program Management (US\$ 928,500)

The program will count with an administrative and supervision scheme as follows. The Consejo Coordinador of the Fondo Social

Suplementario (FSS) will be expanded and will have overall responsibility for ensuring the program objectives are attained, and will establish the general norms. It will also approve the program operating regulations, facilitate inter-institutional coordination, act as a forum for integrating Atlantic Coast issues into national social policy, and provide no-objections to the annual operating plans and general reports that will be presented to the Bank. The expanded Consejo Coordinador of the FSS will be integrated by the Ministries of the Treasury and Public Credit, Education and Health, the Governments of the RAAN and the RAAS, a representative of the donor community, the Secretaría Técnica de la Presidencia (SETEC) that will chair the Consejo, and the Social Investment Fund (FISE) which will act as secretary.

The program will set up a Program Coordination Unit (PCU) that will be located in the Social Investment Fund (FISE). The PCU's responsibilities will include the implementation activities related to dealing with the Bank and the coordination of the activities of the executing entities of the different components of the program. Financial resources will also be provided for the annual program audits.

**Relationship of
Project in Bank's
country and
sector strategy:**

The program conforms to the Bank's local development strategy for Nicaragua that seeks to advance decentralization and build the capacity of local institutions and municipal government to promote sustainable development processes. The program supports the Bank's sector strategies in health and education by strengthening decentralized and autonomous units such as health centers and schools, improving the quality of health services and primary education in rural areas and seeking cost-effective solutions to improve service delivery.

The program incorporates the results of the wide consultations held with local stakeholders during program preparation. The program also reflects the close coordination established with other donors with Atlantic Coast projects. Program implementation will promote further coordination with Sida and DANIDA, specifically around the institutional strengthening and local investment components.

**Environmental/
social review:**

The proposed program will help strengthen the land use planning and natural resource management expertise in the Regional Governments and at the municipal level on the Atlantic Coast. Access to the financial resources available for investments in priority projects will be conditioned upon Regional Governments meeting benchmark indicators in areas that embrace basic land use planning and natural resource management. In the development of the priority projects the program will ensure the implementation of proven environmental assessment procedures developed by the

FISE.

The program will introduce participatory methods for the identification of priority local investments. By building consensus on priority investments, project ownership and sustainability will be enhanced. Participatory methods will help ensure that specific demands of each indigenous and ethnic population are addressed. The PPM operating regulations will be developed to ensure the effective participation of women throughout planning and project activities.

Benefits:

The modernization of the Regional Governments' financial administration systems will provide the framework for a transparent and accountable management of all public funds channeled through the Regional Governments. The Program will also introduce a practice of regular audits with the expectation that this will contribute to improved public administration.

The program will produce benefits at the local level in terms of expanded opportunities for communities and municipalities to participate in the identification of priority local investments. Building stronger relationships between Regional Governments, municipal authorities and communities will also produce greater accountability and introduce greater efficiencies around the use of public resources. The commitment of beneficiary groups to provide counterpart funding for example will generate efficiencies around project ownership and sustainability.

The program will support the development of critical technical expertise within the Regional Governments through creation of the Regional Technical Units. These units will support the development of the key strategic functions of the Regional Governments. Coordination with other donors will be promoted through the design of the PPM as well as the allocation of financial resources available for priority local investments.

In addition to addressing key regional problems in health and education, program-financed interventions will generate lessons for future action. A successful telemedicine pilot would provide the lessons to replicate the experience at the national level with a view to improving the MINSA's referral system, provide on-the-job training to physicians and upgrade the national network of epidemiological control. Similarly, the new model of school supervision for the Atlantic Coast will strengthen the capacity of Regional Delegations to undertake supervision and provide lessons in an area that is still unattended by the MECD's educational reforms.

Risks:

The operation's success depends on the ability of the Regional Governments to develop the capacity to guide and manage

regional development processes based on a deepened decentralization. The operation's feasibility therefore rests upon the political will to undertake the required improvements and on the continued participation of local actors who ensure that the institutional strengthening of the Regional Governments is as much grassroots as donor driven. In this regard, a participatory program preparation process has promoted Regional Government ownership at each stage. This has already resulted in decisions by both Regional Governments to introduce reforms into their financial management, administration and planning systems along the lines of the performance improvements sought by the program.

The program involves a wide range and a large number of different institutional actors both from the Atlantic Coast and Central Government. Program execution will depend upon close and effective inter-institutional collaboration and a shared understanding of lines of responsibility, reporting and decision-making among the different participating institutions. To minimize the execution risk the roles of each participant institution and the inter-institutional framework will be clearly defined in the Program Operating Regulations.

The program will face significant challenges as it builds execution capacity at the level of the Regional Governments. Financial resources are therefore available to contract technical assistance in key areas. In addition, the Program Coordinating Unit will also provide advice and technical support. Furthermore, the Bank will support execution with the contracting of a full time consultant who will assist program supervision throughout its duration.

The success of the health and education components is predicated on the creation of effective communication channels between the central ministries and the Regional Units. These channels have been historically weak due to technical and cultural factors. The program has directed resources to address this issue and to improve coordination between the executing units and the other units at the central level.

**Special
contractual
clauses:**

1. Prior to first disbursement

- i) Standard Conditions prior to first disbursement
- ii) Evidence that the Program Operating Regulations previously agreed upon with the Bank have entered into force (para 3.13);
- iii) Evidence that the agreements between the Borrower and the FISE and between the FISE and the executing institutions for the transfer of Program resources and Program execution have entered into force (para 3.1).

2. Prior Condition to the disbursement of resources for local investments (Component 2)

i) The Bank's acceptance of the certification by the firm undertaking the concurrent audits that the Regional Governments have reached required performance levels previously agreed upon with the Bank (para 2.24 and 3.14).

3. Prior Condition to the disbursement of resources for the health sub-component (Component 3)

i) The Bank's approval of the operational plan of the telemedicine pilot project (para 2.30).

In addition, the loan contract shall contain other standard clauses related to, inter alia, monitoring and evaluation, auditing, maintenance, the procurement of goods, and the contracting of services.

Poverty-targeting and social sector classification:

The program qualifies as a social equity/poverty reduction project as described in the indicative targets mandated by the Bank's Eighth Replenishment (Document AB-1704).

The program also qualifies as a poverty targeted investment (PTI) because of its geographical location (para 1.2). The borrowing country will be using the 10 percentage points in additional financing (see Par. 2.39).

Exceptions to Bank policy:

None

Procurement:

All contracting will follow the Bank's standard policies. International Competitive bidding will be required for construction works of US\$1.0 million or more, goods and services of US\$250,000 or above and Consulting Services in excess of US\$200,000. Works, goods and consulting services below these sums will be subject of the procedures attached to the loan contract, and summarized below.

Modality	National Public Competitive Bidding (NPCB)	Private Competitive Bidding (PCB)
Works	Between US\$150,001 to US\$999,999	US\$150,000 and under
Goods and Services	Between US\$100,001 and US\$249,999	US\$100,000 and under
Consulting Services	Between US\$100,000 and US\$200,000	US\$99,999 and under

I. BACKGROUND

A. Introduction

- 1.1 Since 1990, Nicaragua has experienced a decade of economic recuperation and social reconciliation after a prolonged period characterized by civil conflict and recession. Its income per capita was more than halved during the 1980s, a trend that has only recently been reversed. However, Nicaragua remains the second poorest country in Latin America with an income per capita of US\$468 in 1997.
- 1.2 The Atlantic Coast of Nicaragua was one of the regions most heavily affected by the 1980s civil strife and economic decline. Today, it is among the country's most deprived areas with 61 percent of the population living in poverty and 20 percent in extreme poverty. For example, twenty-three percent of urban children and 35 percent of rural children are malnourished and illiteracy rates are 43 percent compared to the national average of 24 percent.

B. The Atlantic Coast

- 1.3 The Atlantic Coast region extends over 59,889km², comprising half the national territory. This region was first incorporated into Nicaragua in 1894 after being a British protectorate for over two hundred years. After its incorporation, the region was administered as one department from Managua. However, the nature of this relationship was fundamentally changed with the establishment of the 1987 Autonomy Statutes and the creation of the North Atlantic Autonomous Region (RAAN) and the South Atlantic Autonomous Region (RAAS). Regional autonomy constituted the central element in the resolution of the 1980s armed conflict on the Coast and created the framework for reconciliation and regional governance.
- 1.4 Over 90 percent of Nicaragua's indigenous population are found on the Atlantic Coast. Four indigenous peoples, Miskitu, Mayagna, Rama and Garifuna each with their own language and traditions, account for almost half the region's population. The remainder is made up of Spanish speaking mestizos and English speaking creoles. Traditional indigenous communities mainly live in small coastal and riverine settlements, mestizos in isolated family groupings on the Agricultural Frontier and creoles in the region's urban centers. The Coastal population only accounts for 10 percent of Nicaragua's five million inhabitants. It is growing rapidly, however, due to mestizo migration from the Pacific Coast and central areas. This migration has changed the region's ethnic composition, its population distribution and exacerbated tensions over natural resource access and land security.
- 1.5 The majority of the Atlantic Coast people base their economic livelihoods on small-scale agriculture, extensive livestock grazing, artisan fishing, timber harvesting and artisan mining. Most households, including the indigenous, earn their income from a combination of different production activities. In addition, the Atlantic Coast accounts for much of the national large-scale production in forestry, mining and fisheries for which concessions or licenses are issued and administered by Central Government.

- 1.6 The lack of demarcation of communal indigenous lands continues to be a major issue in the region. The perception of unowned and unexploited lands is an important factor contributing to the migration of poor farmers from more densely populated regions, leading to conflicts over land use, environment and resource management policies. Establishing a legal framework for communal land ownership is an objective of World Bank involvement in the region and has also been supported by bilateral cooperation. A consultation process is underway for a draft law for demarcation and land registration in both Autonomous Regions.
- 1.7 The presence of Central Government in the region has traditionally been minimal. Overall, Central Government institutions have limited resources and knowledge regarding the regional context of the Atlantic Coast and therefore limited capacity to work in the region. At the same time, Atlantic Coast institutions are not sufficiently strong to act as counterparts for national-level development programs. Consequently, such programs often do not cover the region and there is little integration of regional issues in national policy debates.

C. Regional and Municipal Governments

- 1.8 The Regional Administrations of the RAAN and the RAAS comprise a Regional Council and a Regional Government headed by a Coordinator. The first Council elections were held in 1990. The main responsibilities of these Administrations are set out in the 1987 Autonomy Statutes that have yet to be regulated. These include: (i) participation in national-level development programs executed in the region; (ii) promotion of regional economic, social and cultural projects; and (iii) promotion of the rational use and conservation of the region's natural resources.
- 1.9 The Regional Governments are a key part of the regions' overall institutional framework with potential to act as essential counterparts for national-level as well as regional programs. To date, this potential has not been fully realized. The main obstacle is institutional weakness in the areas of: (i) financial management; (ii) administration; and (iii) development planning, including effective coordination with municipal governments and communities as a basis for establishing development and investment priorities.
- 1.10 In the RAAN, financial management and controls are characterized by weak capacity in budget execution and revision, deficient capacity in accurate and timely accounting and an absence of internal auditing. One consequence is a lack of financial information that serves as a management tool in the administration and planning of Regional Government affairs. Therefore, the Regional Government has been in no position to inform and account to its Council around the use of financial resources. The appointment of an Internal Auditor in June 1999 however has started to correct this situation. Administration deficiencies relate to the lack of human resource procedures as well as the application of arbitrary practices in personnel management, recruitment and selection, contracting, and salary scales. This situation partly explains the high number of unqualified government employees at all levels.
- 1.11 The Government of the RAAS is also weak in budget execution and revision. However, it has adequate accounting procedures but lacks the mechanisms to use

the resulting information for management decision-making. Although the institution undertakes internal auditing, the quality is poor, as irregularities are not detected. Human resource procedures are generally missing in the areas of recruitment and selection, job descriptions and salary structures.

- 1.12 Recently, both Governments have gained some experience in planning and coordination through regional initiatives providing opportunities to work more closely with municipal governments, communities and civil society. One example is the participatory process undertaken to elaborate the development strategy for the Coast for the 1999 Consultative Group Meeting in Stockholm. Subsequent follow-up activities, including a regional forum in Bluefields in September 1999 organized by the Regional and Municipal Governments, Atlantic Coast universities and the civil society, confirms the willingness to move from traditional top-down methodologies towards more participatory approaches. However, the ability to develop annual operating plans remains weak. The capacity to incorporate land use and environmental considerations at various scales into regional development decisions is also lacking. In the area of project formulation, SETEC recently initiated a training program as part of the effort to include the Regional Governments in the public sector investment process.
- 1.13 The RAAN comprises seven municipalities whereas the RAAS comprises eleven, the largest of which, Bluefields, has 60,000 inhabitants and the smallest only 3,500. The first elections for Municipal Governments on the Coast were held as recently as 1996. Although there is no clear definition and division of the individual areas of responsibility between the Regional and Municipal Governments, the specific responsibilities of the latter are outlined in the 1997 Municipal Law. These include the development of land-use plans; local economic and social development; promotion of the rational use and conservation of the municipality's natural resources.
- 1.14 The Municipal Governments on the Atlantic Coast are generally much weaker than their counterparts elsewhere in the country. In some locations, their recent establishment in areas where traditional governance structures exist has led to conflicts over the administration of basic services, resource and land use. The larger municipalities provide potable water, sanitation and solid waste collection services though mainly to their urban populations. The municipal authorities in Siuna, Bonanza and La Rosita have only recently assumed these basic services responsibilities on the departure of foreign mining companies. They face the challenge on introducing financial sustainability to services that were traditionally provided free of charge. The vast geographical areas these municipalities encompass combined with their dispersed populations in isolated communities make effective governance difficult, especially given the severely limited financial and human resources at their disposal.
- 1.15 Regional Governments and Councils in the Atlantic Coast receive transfers from the Central Government to finance their operating and investment budgets. During 1998, transfers to the RAAN amounted to C\$8.2 million (US\$0.7 million), and C\$7.2 million (US\$0.6 million) to the RAAS. Other transfers to the Regional Governments have been funded from revenues that Central Government receives

from Mining Concessions and Fishing Licenses. In 1998 transfers to the RAAN from these natural resource revenues amounted to C\$7.2 million (or 73% of total transfers), and C\$3.3 million (or 40% of total transfers) in the case of the RAAS. Significantly in 1998, salaries were the largest expenditure both in the RAAN and RAAS at 48% and 54%, respectively.

- 1.16 Overall, Municipal Governments on the Atlantic Coast are financially weak. Under the Municipal Law, 25% of revenues from the exploitation of natural resources should go to Municipal Governments. The RAAN Regional Government is in partial compliance and in 1998 distributed 10% of concession and license revenues received to municipalities. This distribution is not happening in the RAAS. The non-transparent procedures and mechanisms characterizing the transfer of concession revenues have consequently sharpened tensions between Regional and Municipal Governments.
- 1.17 The financial situation of most municipalities is also deteriorating as a result of an on-going adjustment to a principal source of revenue, the sales tax. Waspam and Bonanza in the RAAN had total revenues of C\$1.5 million (US\$0.1 million) in 1997. The combined revenues of 6 municipalities in the RAAS (Bluefields, Corn Island, El Rama, Muelle de los Bueyes, Nueva Guinea and Paiwas) in 1997 was C\$20.8 million (US\$1.8 million). In the RAAN, transfers accounted for 23% of total municipal revenue, whereas municipal taxes accounted for 43%. In the RAAS transfers at 4% of total revenues were less important, while municipal taxes contributed 57% of total revenues. Municipal salaries are the largest expenditure, at 48% in the RAAN and 43% in the RAAS.

D. Education and Health

- 1.18 The education and health sectors on the Atlantic Coast suffer from many of the same problems that affect these sectors nationwide such as inadequately trained professionals, lack of basic materials and supplies, and poor infrastructure. Region-specific factors such as multi-lingualism, traditional medicine practice, ethnic diversity and inaccessibility all contribute to its marginalization from national sector policies in health and education.
- 1.19 The Ministry of Education has regional delegations in the RAAN and the RAAS, responsible for administration, supervision and teacher training. However, its institutional presence is weak since its delegations are characterized by scarce operating resources, lack of trained personnel, inadequate physical infrastructure and communication systems. One of the most important consequences is the delegations' inability to supervise schools adequately. This is reflected in insufficient on-site visits, their short duration, poorly trained supervisors and lack of resources to undertake follow-up, which all adversely affect the quality of education.
- 1.20 The regional administrative units of the Ministry of Health (SILAIS – *Sistemas Locales de Atención Integral de la Salud*) are characterized by similar institutional weaknesses. In addition to problems of scarce operating resources, health centers in rural areas have had significant difficulties hiring and retaining trained personnel, especially physicians. This latter problem is being addressed

through incentives financed by the Fondo Social Suplementario (FSS). However, inadequate physical infrastructure and weak communication systems place severe constraints on access to health services. This frequently means that timely quality services are not available at the community level thereby increasing the number of referrals to the hospitals in Puerto Cabezas and Bluefields. Given the vast distances and costs of transport in the region, these referrals pose significant costs to patients and the health system alike.

- 1.21 Due to the region's location along the main transshipment route for cocaine from South to North America, members of Coastal communities often find abandoned drug packages. Local consumption of marihuana, crack-cocaine and cocaine has increased significantly over the last few years and is now the root of serious public health and social problems. In coastal indigenous settlements, escalating levels of drug-related violence and crime are eroding traditional community structures. Nevertheless, communities have been active in discussing programs and projects to mitigate this problem and Anti-Drug Commissions in the two regions have recently been established.

E. Strategy and rationale for involvement

- 1.22 The Government's Atlantic Coast strategy is to integrate the region into national development frameworks and enhance regionally-based development capacity. Priority areas are transport infrastructure and communications systems, human capital formation and private sector development.
- 1.23 The program aims to strengthen regional governance on the Atlantic Coast and integrate regional issues into national-level policy. This will be achieved by: (i) institutional strengthening of the Regional Governments; (ii) enhanced relationships between Regional and Municipal Governments, and local communities; and (iii) innovative interventions in health and education that will focus on specific Coast problems and facilitate the dialog between national and regional authorities. With its focus on the strengthening of the institutional framework on the Atlantic Coast, the program is in line with the Bank's strategy to promote decentralization.
- 1.24 The program will create counterpart capacity on the Atlantic Coast, principally at the level of the Regional Governments, the Regional Delegations of the MINSA and MECD but also within the Municipal Governments. Regional Government capacity to work in concert with Municipal Governments and constituent communities will help build consensus on environmental, social and economic development priorities, thereby ensuring ownership and sustainability.
- 1.25 The program's execution seeks to take advantage of existing structures and institutions, specifically those provided by the FSS and the Social Investment Fund (FISE). The FSS was created in 1998 to support recurrent expenditures in health and education and to facilitate poverty targeted reforms in these sectors. A Consejo Coordinador comprising the Ministries of Health, Education, Treasury and Public Credit and presided by SETEC, the Secretaría Técnica de la Presidencia, has successfully promoted policy and program coordination. The FISE is a central institution in the Government's long-term strategy for

decentralization. It has spearheaded the process of strengthening the management capacity of Municipal Governments in the Pacific Coast. The FISE has a recognized operating capacity that will expedite program execution and reduce the program's administrative costs. FISE's participation in program execution is also consistent with its strategy to increase its participation in the Atlantic Coast development issues.

- 1.26 The program has been developed in consultation and coordination with local Atlantic Coast stakeholders and other members of the international community present on the Atlantic Coast. The program components complement ongoing efforts in the region and respond to priority needs. Specifically, the program's institutional strengthening of the Regional Governments and its support to participatory planning have been developed taking into account Sida and DANIDA programs in these programmatic areas.
- 1.27 Since 1995, Sida has undertaken a program aimed at strengthening the administrative capacity of the Regional Governments. A second stage of this program (US\$3m over 1997-2001) will finance a component to strengthen the Municipal Governments of Puerto Cabezas, Bluefields and Corn Island, including the introduction of a participatory planning methodology. DANIDA has also had a long-term presence on the Atlantic Coast. In the area of municipal development, DANIDA will start a five-year, US\$5m, program with the Municipal Governments of Bonanza, Siuna, Rosita and Prinzapolka municipalities in 2000 which will also involve the development of a participatory planning methodology. In addition, DANIDA's ongoing US\$14m program to improve the region's transport infrastructure, of which a third stage (1999-2003) for US\$12.5 million is at start-up, has promoted community and municipal participation in the identification of priority investments.
- 1.28 In the area of natural resource management and land demarcation and titling, the World Bank is significantly involved through its support for the Atlantic Biological Corridor Project and the Agricultural Technology and Land Management Project. The PROCODEFOR and BOSAWAS projects, supported by the Dutch Cooperation and GTZ respectively, also work in the area of natural resource management and the demarcation of community lands. These projects, as well as the integrated development projects --PRORAAS (Dutch Cooperation/UNDP), WANKI II and PRODERBO (EU)-- have components to support small-scale community infrastructure projects.
- 1.29 In bilingual education, international community programs include BASE II (USAID), Aprende (World Bank) and ASEN (Dutch Cooperation). Substantial bilateral and NGO resources have been invested in primary health care. Sida in the RAAS is supporting a program of mobile brigades and USAID is financing an NGO mother/child health and nutrition project executed by World Relief. Other NGO primary health programs in the RAAS include those of Acción Médica Cristiana in Pearl Lagoon and Rama Key, Ayuda en Acción in Kukra Hill and Medicos sin Frontera in Cruz de Rio Grande. In the RAAN, DANIDA has just finished a health promoters training project, Austrian Cooperation is supporting

primary and preventative health care through NGOs in the Mines Region and Acción Médica Cristiana has a substantial presence along the River Coco.

II. THE PROGRAM, ITS COST AND FINANCING

A. Program Objectives

- 2.1 The objective of this program is to strengthen the governance capacity of Atlantic Coast institutions to guide and manage the region's sustainable development. Specifically, the program will: (i) strengthen Regional Government capacity in financial management, administration and development planning; (ii) create community and municipal capacity in project identification and land use planning through the introduction of a participatory planning methodology; and (iii) undertake innovative interventions that will lay the basis for strengthened regional delegations of the health and education ministries.

B. Program Overview

- 2.2 The program is conceived as a cross-sectoral operation with a total estimated cost of US\$8.9 million (Bank financing equal to US\$8.0 million). While the program's components necessarily cover diverse areas, the strategy and principles underlying its overall design as well as that of each individual component are clear nevertheless. The program is founded on the dual premise that the development of the Atlantic Coast is conditioned by the capacity of its institutional framework and that the weak and incipient Regional Governments can become competent counterparts through a concerted effort supporting a process of learning by doing.
- 2.3 Consequently, there will be substantial investments in training, technical assistance and other capacity building activities to ensure that local people acquire the skills to manage the program. In addition to the training package for Regional Governments, program activities directed towards municipal governments will help break down the barriers existing between different levels of government. At the same time the work relationships created during program execution will constitute a significant contribution towards future development efforts in the region. In this regard, the program also recognizes the importance of civil society participation to the effective implementation of the public investment process.
- 2.4 Capacity building activities will be deployed specifically to strengthen the Regional Governments in their role as facilitators and supervisors rather than as direct providers of services. While Regional Governments embark on the process to acquire the capacity to access the financial resources available in ongoing development programs, the resources available for local investments will play a dual role. On the one hand, they will be used to finance viable local projects with satisfactory rates of social returns. On the other hand, they will act as an incentive to adopt institutional reforms that might otherwise face substantial barriers.
- 2.5 The program builds on the Atlantic Coast development programs that are financed by other members of the international community. Moreover, program activities are designed to enhance the coordination that was initiated during preparation. Donor coordination will be promoted in a set of critical areas, including participatory planning, institutional development of Regional and Municipal Governments and the creation of an environment conducive to the accountable

and transparent management of public resources. In the latter regard the program will make a significant effort around auditing through support for the *Contraloría General de la República*, a process of concurrent audit of the results of the institutional strengthening activities with the Regional Governments and yearly program audits.

- 2.6 The program's executing structure is designed to help meet the strategic objective of integrating the Atlantic Coast into national level policy discussions and development programs. The program takes advantage of the FSS structure that has facilitated inter-institutional policy discussions around social sector reforms. An expanded Consejo Coordinador will provide a venue for discussions of Atlantic Coast issues and their incorporation into national level policy dialogues and development programs.
- 2.7 The program consists of three components: (i) Institutional strengthening of the Regional Governments, (ii) Local investments in Participatory Planning (PPM) and small scale priority projects, and (iii) Innovative interventions in: (a) health and (b) education. The program will also cover program administration costs.

C. Program Components

1. Institutional Strengthening of the Regional Governments (US\$2,487,015)

- 2.8 This component will finance a technical assistance package to enhance the capacity within the Regional Governments to fulfill their strategic responsibilities in: (i) assisting Municipal Governments to develop their administrative, planning and financial capacity for these to assume their corresponding responsibilities; and (ii) coordinating inter-institutional efforts to define sustainable regional development strategies.
- 2.9 The technical assistance package will cover four key areas: (i) introduction of an organizational structure designed to meet the Regional Governments' strategic responsibilities; (ii) modernization of administrative and financial procedures including the introduction of SIGFA² compatible systems; (iii) design of mechanisms to augment the financial sustainability of Regional and Municipal Governments; and (iv) creation of Regional Technical Units (RTUs) within the Regional Governments.
- 2.10 The RTU's will initially assist in the development of the financial, accounting and internal control systems that the Regional Governments will require in order to manage the resources available in this component. The RTUs will be responsible for the elaboration of the terms of reference, identification and contracting of the professional services contemplated in the technical assistance package that will support the institutional strengthening of the Regional Governments. In the implementation of these activities the RTUs will follow procedures that will be contained in the Program Operating Regulations and will be supported by a Program Coordinating Unit located in FISE.

² Sistema Integrado de Gestión Financiera, Administrativa y Auditoría

- 2.11 The RTUs will subsequently support the efforts of the Regional Governments in:
(i) the development of municipal government capacity to work with local communities in village based land use planning and resource management; (ii) the identification of small scale, priority local investments incorporating environmental, socio-economic and cultural considerations; (iii) the incorporation of the PPM exercise into a process of regional planning and public investment programming; and (iv) the coordination of inter-institutional efforts around sustainable regional development strategies.
- 2.12 The Program will finance key staff in RTUs in the areas of planning, finance and administration and project development as well as equipment, transport and training. The financing of these key staff will be done on a decreasing basis (100% in year 1, 70% in year 2, and 40% in year 3) to ensure not only that the costs are gradually assumed by the Regional Governments but also to promote the integration of this capacity into the regional structures by the program's end.
- 2.13 The component will also finance three studies designed to enhance the financial sustainability of the regional and municipal governments on the Atlantic Coast. These will: (i) identify the basis for the financial sustainability of Regional and Municipal Governments; (ii) evaluate the transfer mechanisms regulating concession and license based revenues, including incentives for decentralized natural resources management; and (iii) assess *arbitrios regionales* and the feasibility of creating as Special Development Fund as stipulated under the Autonomy Statutes. The terms of reference for these studies will be agreed with the Bank Project Team.
- 2.14 This component will also finance activities to strengthen the financial and administrative capacities of municipal authorities. The RTUs taking into account the municipal support to be provided by the Sida and DANIDA financed programs will identify the specific activities that the program will support. The component will finance the concurrent audits that will monitor the process of institutional capacity of the Regional Governments.

2. Local Investments (US\$2,000,000.)

- 2.15 This component will finance two activities. It will provide financial resources for the implementation of PPM and it will also provide resources for the execution of priority local projects.

i. Participatory Planning Methodology (US\$400,000)

- 2.16 This activity will include the costs of implementing the PPM, project design and supervision as well as activities to foment community participation and organization, including public information campaigns and community forums to enhance dialogue among different stakeholders. The planning exercise will produce municipal development plans that would include; projects identified and prioritized by the communities and local authorities; land use zoning; and natural resources management activities.
- 2.17 The Program will promote the development of one PPM for the Atlantic Coast. The design of the PPM will be based on different participatory planning

experiences in Nicaragua in general, and on the Atlantic Coast specifically. The PPM will be developed on the basis of a process of round table discussions with coastal actors as well as other national and international organizations that intend to introduce participatory planning into their programs on the Atlantic Coast.

- 2.18 The objective is to ensure that the PPM meets the specific demands of the Atlantic Coast and reduce the prospects of a proliferation of different approaches. The PPM will include aspects specifically related to the structure and organization of ethnic communities including gender, land use and ownership and natural resources management. The PPM exercise will involve local communities, municipal authorities, NGOs, civil society organizations, and other actors participating in local development activities.
- 2.19 PPM exercises will be carried out in those municipalities that are not covered by the activities of other programs supported by national and international agencies such as Sida and DANIDA. To date six municipalities are foreseen as possible participants in this component; Waspam, La Desembocadura, Cruz de Río Grande, Tortuguero, Kukra Hill and Laguna de Perlas. The resources available could also be used to supplement the PPM activities undertaken by other agencies in the event that additional work is required. The RTUs will develop the definitive list of municipalities where the Program will implement PPM. The list of municipalities will be presented to the Bank for its no-objection.

ii. Local Investments (US\$1,600,000)

- 2.20 The availability of funds for local investments identified through PPM will act as the incentive to communities, municipal authorities and regional governments to participate in the exercise. The RTUs and the PCU will produce a formula for the allocation of program funds for local investments. That process will promote inter-program coordination activities since the Bank requires that the formula be based on Nicaragua's poverty map and an analysis of the definitive allocation of financial resources for local investments available in Sida, DANIDA and other similar Atlantic Coast programs. The formula that will determine the regional and municipal assignment of financial resources will be presented to the Bank for its no-objection.
- 2.21 Project selection criteria will address the sustainability of project investments by the beneficiaries, Municipal and Regional governments. The program's operations manual will provide guidelines for beneficiary participation in project design and implementation, as well as other basic principles related to environmental sustainability. Project beneficiaries and municipal and regional governments will be required to cofinance at least 10% of the cost of each project, either in cash or kind (including the community-donated land and labor). Each project design will include a maintenance scheme and will establish an ownership arrangement.
- 2.22 The program will not apply an *ex ante* menu of projects. Three broad project categories have been identified:

- a. Projects and services for the provision of basic social services in education and health such as: repair of school and health infrastructure, equipment provision for schools and health centers, potable water projects; etc.
 - b. Projects for economic infrastructure such as: electricity, drainage channels, reforestation, natural hazard vulnerability mitigation measures, day care centers for working mothers; etc.
 - c. Programs and projects for activities considered as priority at the local level such as communal centers, recreational areas, natural disaster prevention plans etc;
- 2.23 A list of activities has been identified that will not be financed with resources of the Program: housing; construction and improvement of rural roads and urban streets; construction and repair of municipal buildings, municipal salaries and equipment; construction and repair of regional government buildings, regional government salaries and equipment and financing of regional government debt; credit and input provision for agricultural, agro-industrial and industrial activities; vehicles; religious and political party activities and infrastructure; local and regional festivities; purchase of real property; and lottery and gaming activities and infrastructure.

iii. Access of financial resources for local investments

- 2.24 The access by the Regional Governments to the financial resources available to execute priority projects identified through PPM will be conditioned upon Regional Governments achieving performance related benchmark indicators. These indicators will measure the introduction of accounting and financial systems, the adoption of personnel management procedures for recruitment, contracting, salary scales and job descriptions and the use of the Program Operating Regulations. Professional service firms will be contracted to undertake four monthly monitoring of the Regional Governments' performance. **The Bank will receive copies of the four monthly concurrent audit reports. Once Regional Governments have reached acceptable performance standards, they will request the Bank's approval to disburse the financial resources for the Local Investment Component.**

3. Innovative Interventions in Health and Education (US\$3,196,005)

- 2.25 This component will finance selected innovative interventions in health and education designed to generate pertinent lessons that will: (i) address Coast specific problems in these sectors; (ii) inform national policy debates; and (iii) integrate Atlantic Coast issues into national sector plans. The program does not aim to address all the health and education problems of the region but rather to make a contribution to solve priority issues through enhancing the provision of services at the regional level and strengthening the institutional presence of the respective line ministries. This component will finance activities that have been identified through a series of meetings and workshops with a broad representation of Atlantic Coast civil society actors and Ministry of Health and Education officials at the national and regional levels. The activities also reflect priorities

identified in the development strategy for the Atlantic Coast that was elaborated for the 1999 Consultative Group Meeting in Stockholm.

a) Health (US\$ 2,246,225)

- 2.26 This subcomponent will finance a pilot project to introduce telemedicine into the region during a period of three years.
- 2.27 The pilot will support the introduction of proven telemedicine technologies to improve access and enhance the quality of health care services for isolated and rural communities on the Atlantic Coast. This component will address a Ministry of Health concern that poor quality diagnostic and treatment attention within health centers is provoking patients to seek hospital-provided diagnosis.³ The pilot will therefore strengthen the links between regional hospitals (hub sites) located in the two regional capitals and selected health centers (spoke sites). The hub sites will be the Hospital Nuevo Amanecer (RAAN) and the Hospital Dr. Ernesto Sequeira (RAAS). Approximately eight spoke sites will be identified using the following criteria: (i) difficult access due to geographical factors, (ii) proven demand for clinical services; and (iii) the existence of health centers with a minimum installed capacity. The program will also finance a connection with a reference hospital located in Managua. The list of the spoke sites will be included in the sub-component's operational plan.
- 2.28 The introduction of telemedicine technologies will support activities related to patient care such as radiology consultations, post-surgical monitoring and triage of emergency problems. In addition to patient care, telemedicine will also support: (i) **professional education** through continuing medical education programs, on-line information and education resources, and individual mentoring and instruction; and (ii) **public health activities** such as disease reporting and epidemiological control.
- 2.29 Patient care activities will include applications to solve clinical problems, gather clinical information, and facilitate complete treatment processes. Assisting solutions to clinical problems will focus on addressing emergency and urgent situations for which prompt assessment and management is essential. In addition, telemedicine will assist the recollection of alphanumeric text (e.g. patient history, lab results, practice guidelines) and pictures (e.g. still pictures, radiological images). Patient care will also be enhanced through facilitation of complete treatment processes by strengthening prevention, diagnosis, treatment, rehabilitation, and monitoring.
- 2.30 The pilot project will finance the operational plan for the telemedicine sub-component. **Approval by the Bank of the operational plan for the telemedicine pilot project will be a condition for the disbursement of the financial resources available for the following activities;** (i) communication hardware (computers, telephone lines, etc.) and software; (ii) storage, processing, compression and data distillation software; (iii) space adaptation through

³ see "Necesidades de Inversión en la Red de Salud de la Costa Atlántica de Nicaragua", Ministerio de Salud, June 1999.

infrastructure rehabilitation; (iv) extensive user training and support and maintenance systems; (v) basic equipment directly related to telemedicine applications; (vi) technical assistance to support professional education.

- 2.31 The systematic evaluation of the component will be also financed. The evaluation will analyze multiple aspects of the pilot project such as quality of care, access, cost and cost-effectiveness, and patient and clinician perceptions. Key benchmarks for the project will be: (i) number of interventions taking place in the health centers using telemedicine technology that would have been otherwise referred to the regional hospitals; (ii) willingness of the MINSA to extend the pilot beyond the Atlantic Coast region expressed in clear budgetary commitments and request for international support.

b) Education (US\$949,780)

- 2.32 This subcomponent will increase the capacity of the regional delegations to undertake administrative and pedagogical school supervision of all the MECD programs on the Atlantic Coast, including bilingual education programs. International experience has shown that high quality school supervision has a direct impact on the quality of education, especially when the supervision involves in-service teacher training. The program will finance activities to: (i) improve the technical expertise of supervisors to undertake their supervisory responsibilities within a multi-cultural context; (ii) facilitate transportation to ensure regular school visits; and (ii) increase the emphasis on in-service teacher training as part of supervisory activities.
- 2.33 Specifically, to improve the expertise of supervisors, the subcomponent will finance the design and implementation of a training program covering issues related to administrative, pedagogical and content support. This training program will consist of: (i) a core section common to all MECD program supervisors; and (ii) a program-specific section linked to the methodologies and training requirements of each program. The core section will train supervisors to better manage the process of collection of administrative and academic information and to involve school directors and teachers in this task. The program's specific section will train supervisors in the use of key methodologies and materials to provide in-classroom academic support. In addition, the component will finance transportation costs for supervisors to undertake regular on-site visits.
- 2.34 To maximize the impact of this supervision support on the quality of teaching, the component will finance the creation of teacher *minicenters*. These are groups of teachers that meet on a regular basis to exchange experiences as well as organize joint projects. Minicenters have proven impact on the adoption of effective classroom management practices. Supervisors will participate directly in the *minicenters* and use the meetings as a forum to adjust and reinforce their supervisory methodologies and tools. The component will also finance necessary equipment and materials for these activities.
- 2.35 The program will finance incentive mechanisms rewarding supervisors' participation in resolving school pedagogic and administrative problems.

2.36 The evaluation of the pilot project will also be financed. This will include a range of techniques including beneficiary assessment (school director, teachers and parents), key quantitative benchmarks (academic achievements, number and frequency of school visits, attendance to *minicenters*) and key qualitative benchmarks (evaluation of the issues and projects raised in the minicenters and the willingness of the MECD to expand the pilot to other regional delegations expressed in budgetary commitments). The subcomponent will also finance meetings, forum and public information activities to disseminate the results of this pilot project.

2.37 **Regional Plan for the Prevention of Illegal Drug Consumption.** (US\$363,000). Non-reimbursable FSO resources (US\$330,000) will finance a technical cooperation that will support activities for the prevention of illegal drugs consumption in Atlantic Coast communities. The Plan of Operation detailing the activities and their cost is attached as Annex III.

D. Program Management (US\$928,500)

2.38 The program will finance the creation of a Program Coordination Unit (PCU). The PCU will have a coordinator, finance specialist and administrator (US\$313,500). The PCU will be located in FISE. FISE is considered the appropriate institution to co-ordinate program activities since it is a central institution in the Government's long-term strategy for decentralization. It has spearheaded the process of strengthening the management capacity of Municipal Governments in the Pacific Coast. Its role in management of the proposed operation is consistent with the FISE's strategy to expand its activities in the Atlantic Coast. The program will finance the purchase of necessary equipment, supplies and other office expenses (US\$195,000), the implementation of the Program's monitoring and evaluation system (US\$20,000), and will have funds available for other technical assistance and training (US\$50,000). The program will also finance the cost of the end of year external audits (US\$240,000). It will also provide support to the Regional Delegations of the *Contraloría General de la República* as part of the effort to strengthen audit capacity on the Atlantic Coast (US\$110,000).

E. Cost and Financing

2.39 Total cost of the program has been estimated at US\$9,255,479. IDB loan financing, equivalent to US\$8,000,000, will come from the Fund for Special Operations (FSO) and will defray up to 90% of the Program's total cost as this operation qualifies as a geographically and poverty targeted investment.

2.40 Local counterpart funds, equivalent to US\$892,479 will come from the Central Government. Contributions from municipal governments and/or communities to project costs in the form of cash, materials or labor will be required as local counterpart. These contributions are not in the cost table.

2.41 The cost of the program also includes a FSO financed non-reimbursable technical cooperation for US\$330,000. The local counterpart funds are US\$33,000.

Investment Categories	Investment program			Non-reimbursable Technical Cooperation		Total	%
	IDB	Local	Sub-Total	IDB	Local		
I. Institutional Strengthening of Regional Governments	2,202	285	2,487			2,487	27%
1. Consulting Services	1,455	285	1,740			1,740	
2. Training	184		184			184	
3. Equipment and supplies	463		463			463	
4. General Support	100		100			100	
II. Local investments	2,000		2,000			2,000	22%
1. PPM Consulting Services	400		400			400	
2. Works	1,600		1,600			1,600	
III. Innovative Interventions and health and Education	2,662	534	3,196			3,196	35%
<u>Health</u>	<u>1,918</u>	<u>329</u>	<u>2,247</u>			<u>2,247</u>	
1. Consulting Services	164		164			164	
2. Training	164		164			164	
3. Equipment and supplies	1,149		1,149			1,149	
4. Infrastructure	300		300			300	
5. General Support	141	329	470			470	
<u>Education</u>	<u>744</u>	<u>205</u>	<u>949</u>			<u>949</u>	
1. Consulting Services	191		191			191	
2. Training	129		129			129	
3. Equipment and supplies	182		182			182	
4. Infrastructure	125		125			125	
5. General Support	117	205	322			322	
IV. Drug Prevention Program				330	33	363	4%
1. Consulting Services				254		254	
2. Training				55		55	
3. Equipment and supplies				17		17	
4. Infrastructure					33	33	
5. Contingencies				5		5	
Total Program Components	6,864	819	7,683	330	33	8,046	87%
Program management	898	31	929			929	10%
Consulting Services	663	21	684			684	
Training	50		50			50	
Equipment and supplies	90		90			90	
General Support	95	10	105			105	
Financial Costs	238	43	281			281	3%
Interest	158		158			158	
Credit Commission		43	43			43	
FIV	80		80			80	
Total Program Cost	8,000	893	8,893	330	33	9,256	100%
Percentage	90%	10%	100%				

2.42 The terms and conditions of the proposed operation are as follows:

Source of funds	FOE
Currency	US\$
Terms:	
Amortization	40 years
Grace Period	10.5 years
Commitment	3.0 years
Disbursement	3.5 years
Interest rate	1% first 10 years and 2% thereafter
Supervision	1% of loan amount
Credit commission	0.50% p.a. on undisbursed balance

III. PROGRAM ORGANIZATION AND MANAGEMENT

A. The Borrower and Executing Agencies

- 3.1 The borrower and loan guarantor will be the Government of Nicaragua. The executing agency that will have basic responsibility for program coordination is the Social Investment Fund (FISE). Technical responsibility for the execution of the program components will lie in the Regional Governments in the RAAS and the RAAN, the Ministries of Health (MINSA) and Education (MECD). Agreements for the transfer of resources from the borrower to the FISE as well as between the FISE and the four executing units with technical responsibility will be signed. **Evidence that the agreements for the transfer of resources and execution of the Program have entered into force will be a prior condition to first disbursement.**

B. Program Execution and Administration

1. Program Management

- 3.2 An expanded FSS Consejo Coordinador will have overall oversight responsibility of Program activities. For the effect of this Program, the Consejo Coordinador will be comprised of the Regional Governments of the RAAS and the RAAN, Ministries of Hacienda and Crédito Público, MINSA, MECD, SETEC that will act as chair, and FISE that will act as secretary. The Consejo Coordinador's overall monitoring role will ensure that program objectives are attained within the agreed implementation period. It will monitor program progress, evaluate results and identify the corrective measures required to meet program objectives. The Consejo Coordinador will also approve the Program Operating Regulations and give its no-objection to the annual operating plans and reports that will be presented to the Bank. The Consejo Coordinador will also ensure that Program activities are coherent with and integrated into national social policies. It is expected that the Consejo Coordinador will meet at least four times a year. Members of the Bank team would be invited to participate as observers.
- 3.3 Program coordination will lie in a Program Coordination Unit (PCU) located in FISE. The PCU will be staffed with a Coordinator, a financial specialist and an administrator. The Unit's responsibilities will be to (i) prepare the documents to comply with prior conditions; (ii) support the creation of the Regional Technical Units in the RAAN and the RAAS; (iii) provide technical and logistical assistance to the RTUs in the execution of the institutional strengthening activities; (iv) assist with the procurement of program related goods and services; (v) assist the Regional Governments in the management of the concurrent audit that will measure their performance; and (vi) present financial and other reports to the Bank. Resources from a technical cooperation (TC-98-11-929) will be used to contract the Program Coordinator and financial specialist for a period of up to 9 months prior to first disbursement. Contracting will follow the Bank's standard procedures for the hiring of consultants.

C. Execution of Program Components

- 3.4 To achieve the program's overall objective to strengthen the institutional framework on the Atlantic Coast, functional responsibility for the execution of the different components will lie with different institutions as presented below:

Expanded Consejo Coordinador / FSS: Monitoring , Oversight and Policy Forum			
FISE: Program Coordination			
Component 1.	Component 2.	Component 3.	
Institucional strengthening of the regional governments	Local Investments	Innovative interventions in health and education	
Executing agencies with Technical Responsibility			
Regional Governments of the RAAS and RAAN through the RTUs	Regional Governments of the RAAS and RAAN through the RTUs	Ministry of Health Dirección de Salud Ambiental y Epidemiología	Minister of Education División General Coordinadora de las Delegaciones y Supervisión
Support Units			
Coordination Unit in FISE	Municipal Governments	SILAIS Regional RTUs	Regional Delegations in the RAAN and the RAAS RTUs

1. Component 1. Institutional Strengthening of the Regional Governments

- 3.5 The Regional Governments through the RTUs will execute this component. This component will finance the contracting of professional staff in the areas of financial management, procurement and planning. Funds will be made available from a technical cooperation (TC-98-11-929) to contract two RTU directors and two financial specialists for a period of 6 months. Contracting will be undertaken according to the Bank's standard procedures for hiring consultants. These staff will be responsible for setting up the financial accounting systems and internal control procedures to manage the Program's financial resources. FISE would provide assistance in this area. The RTU professional staff would be contracted subsequently with the resources made available on compliance with the loan's general conditions.
- 3.6 With the installation of program management systems, the RTUs supported by the Program Coordinator, will contract the professional services firm that will provide consulting services to: (i) modernize the accounting and financial systems and develop the respective manuals, (ii) design the organizational structure of the Regional Governments consistent with their strategic responsibilities and (iii) design human resource management systems including recruitment and salary policy with their respective manuals. This component will also strengthen the Internal Audit Units, through the implementation of internal control procedures, development of the related manuals, and training of the staff currently in the unit.

- 3.7 The main areas of institutional strengthening were identified during preparation and the content of the activities will be defined at the start of project execution. The process to define the precise list of program funded activities will take into account the reforms that will be introduced by the Regional Governments during the intervening period. Since the initial institutional analysis the RAAN has contracted an internal auditor; the computer-based accounting system is now working and is in a condition to produce the family of financial reports; and accounting entries are 2 rather than 7 months behind. In the RAAS there have been meetings with Sida and the Ministry of Hacienda and Crédito Público to look for solutions to the problems inherent in the financial administration system. The updated list of institutional strengthening activities will be presented to the Bank for its no-objection.
- 3.8 Short-term consulting services and training will be contracted to strengthen the Regional Governments' capacity in land use as well as strategic regional planning. Financial assistance will also be provided to: (i) develop sustainable financial strategy for Regional and Municipal Governments; (ii) evaluate and make recommendations on the transfer system of the revenues from concessions and licenses; and (iii) assess local taxes (*arbitrios regionales*) and the establishment of special development funds.
- 3.9 Short-term technical assistance and training will also be provided to municipal authorities in the areas of general and financial administration, accounting, land use planning, natural resource management as well as project preparation and execution. The RTUs will prepare plans for the use of these financial resources that will be presented to the Bank for its no-objection. These plans will build on the training and capacity building activities that will be financed by Sida, DANIDA and other donors.
- 3.10 The program will also finance computer and other office equipment to support accounting, financial administration and auditing activities. Radio communication equipment, vehicles, motorcycles and water transport will also be financed to ensure adequate monitoring and supervision.

2. Component 2. Local Investments

- 3.11 The Regional Governments of the RAAN and the RAAS, through the RTUs will be responsible for executing this component.
- 3.12 **Participatory Planning Exercises.** These exercises will be managed and supervised by the RTUs, who will hire NGO's and private firms to work with communities and local governments to identify local priorities and determine how to respond. They will also ensure that women and other vulnerable groups actively participate in the process.
- 3.13 Resources from a technical cooperation (TC-98-11-929) will be used to contract a consultant who will prepare the Program Operating Regulations. The Operating Regulations will include the regulations of the PPM as well as the environmental assessment and supervision procedures that will be adopted by the Program. **Evidence that the Program Operating Regulations previously agreed with**

the Bank Project Team has entered into force will be a condition for first disbursement under the Program.

- 3.14 **Access to Financial Resources for Local Priority Projects.** The Program will condition the access to the financial resources available for local priority projects on the Regional Governments reaching performance benchmarks related to institutional strengthening activities. The loan resources will be disbursed when the benchmarks shown in the table below have been achieved to the satisfaction of the Bank. A professional services firm will be contracted to undertake a concurrent audit to track compliance of these benchmarks.

Benchmarks for measuring Regional Government Performance

I. Financial Administration Systems	
➤	Demonstrated regular practice of preparing principal financial statements: balance sheet, income statement and statement of changes in financial position.
➤	SIGFA compatible financial manual adopted and working with updated entries (including physical inventory).
➤	Demonstrated capacity of budget preparation (including for the public investment process-SNIP) plus capacity of preparing statements of budget execution and short-term cash flow projections.
➤	SIGFA compatible Internal Auditing Manual adopted and operating.
II. Resource Administration Systems	
a.	<u>Human resources</u>
➤	Organization Chart installed
➤	Job description manual approved and applied
➤	Salary scale agreed and in force
➤	Individual work contracts signed and in force
➤	Human resource recruitment manual agreed and applied
b.	<u>Procurement of Goods and Services</u>
➤	Procurement procedures agreed and in force
III. Planning Systems	
➤	Evidence that Participatory Planning Methodology has been adopted by Regional Governments
➤	Evidence of coordination with other donors around the identification of the municipalities to be covered under Program PPM activities
➤	Evidence of coordination with other donors around the allocation of financial resources available for investments in local priority projects
➤	Agreements signed between Regional Governments and municipal authorities benefiting from PPM activities and financial resources available for investments in local priority projects
➤	Evidence of work plan for technical assistance to municipal authorities in the areas of financial and general administration, land use planning, natural resource management and project preparation and execution.

- 3.15 The RTUs will be responsible for contracting and paying the service providers who will prepare the project profiles (pre-investment) and project designs. The RTUs will also be responsible for preparing the bidding documents and the

contracts and for contracting the construction of the works and their supervision. The RTUs will also ensure that the projects are technically, economically, financially and environmentally viable. FISE will transfer project appraisal techniques and tools to the RTUs.

3. Component 3. Innovative Interventions in Health and Education

- 3.16 Technical responsibility for the execution of the health and education activities will lie within the respective line ministries. Three criteria were used to identify the most appropriate unit or division to locate execution, namely (i) compatible fit with the component activity; (ii) presence on the Atlantic Coast; and (iii) capacity for coordinating the ministry work on the Atlantic Coast.
- 3.17 Within the MECD, a Core Executing Group (CEG) will have responsibility for the execution of the education subcomponent. The CEG will comprise personnel from the *División General Coordinadora de las Delegaciones y Supervisión*, supervisors from the Regional Delegations and two Program Administrators. One Program Administrator, financed with program resources, will be responsible for administrative and support functions, including: (i) preparing the annual operating plan; (ii) coordinating all the program's activities; and (iii) presenting the reports required by the Bank. The second Program Administrator will have technical responsibilities for training and evaluation activities. This person, the National Supervisor of the MECD for the Atlantic Coast will have 30% of their time financed by program resources under an internal budget arrangement.
- 3.18 Within the MINSA, the health subcomponent will be executed by the *Dirección General de Salud Ambiental y Epidemiología*, a unit that has been strengthened with Sida, USAID and World Bank support. The personnel and communication equipment of this *Dirección General* as well as the Atlantic Coast's SILAIS will be further reinforced to execute the telemedicine project. Three project coordinators--one at the central level and one in each region--will be contracted who will be responsible for the execution of technical and administrative activities. The program will provide technical assistance and training to the coordinators. The project coordinators' functions will include: (i) implementation of the annual operating plan; (ii) direct project monitoring; (iii) technical and administrative support; (iv) project evaluation; and (v) coordination with regional and municipal governments. The *Dirección General del Servicio de Salud* will also provide technical and human resources support for the execution of the pilot project at the SILAIS level.

D. The Municipalities

- 3.19 Municipalities will promote and participate in the participatory planning processes with their communities and assist in project operations and maintenance.

E. Other Participating Agencies

- 3.20 **NGOs.** NGO's will be contracted to provide specialized services and training to municipalities and community leaders in identifying and prioritizing needs. NGOs

may also be contracted to undertake PPM exercises in participating municipalities and may be involved in executing priority works.

- 3.21 **Universities.** Universities will be contracted to develop and undertake training courses for Regional and Municipal Governments.
- 3.22 **Private Sector.** Private firms as well as individual consultants will be contracted to provide short and long term technical assistance. They will also be contracted for the design, construction and supervision of infrastructure works.
- 3.23 All participating agencies will be selected and contracted in accordance with standard Bank procedures.
- 3.24 **Program Coordination.** Program coordination will be undertaken by the PCU located in FISE. The program will cover the PCU's administration expenses, including the honoraria of the Program Coordinator and its key staff, equipment, office supplies and other operating expenses. Resources will also be provided for other specific technical assistance, travel and professional exchanges, the implementation of a program specific monitoring and evaluation system and to finance the annual external audit. The Program will also provide financial resources for training and computer equipment for the Regional Offices of the *Contraloría General de la República*.
- 3.25 **Operating Regulations.** Program execution will conform to the requirements, rules and procedures established in the Loan Contract between the Bank and the Government of Nicaragua, and the Program Operating Regulations. The Operating Regulations will include, among other things: (i) the criteria and procedures to be used for allocating investment resources; (ii) the criteria and procedures for ranking and selecting priority projects; (iii) economic, financial, environmental and social analysis of projects; (iv) procedures for environmental review of projects; (v) disbursement and financial control procedures between the PCU and the Regional Governments and other executing units; (vi) procedure for contracting, supervision, financial management and controls for implementation of Component 2; and (vii) the operating procedures for the PPM, including the corresponding social and environmental evaluation mechanisms.

F. Monitoring and Evaluation, Program Reporting and Supervision

- 3.26 **Monitoring and Evaluation.** A performance monitoring and evaluation system will be implemented for each component of the Program in order to evaluate overall Program results. Different techniques and tools will be used including audit reports, stakeholder consultations and field visits.
- 3.27 **Mid-Term Evaluation.** A mid-term evaluation will be undertaken by the Project Team when the Regional Governments have informed the Bank that they have reached the acceptable level of performance previously agreed upon with the Bank as measured by the benchmark indicators. In the mid-term evaluation, the Bank Project Team will work with the PCU and the executing institutions in order to, among other issues: (i) review the Program activities in order to undertake the adjustments required to meet Program objectives; (ii) review the coordination

activities with other donors; and (iii) assess the progress of the Atlantic Coast participation in policy dialogue and public investment process.

- 3.28 **Reports.** The PCU will be responsible for the coordination of the presentation of reports. Each executing unit will submit 6 month progress reports to the PCU, which will consolidate these reports into a document presented to the Bank within a month of each semester. The form, scope and content of these reports will be detailed in the Initial Report, and will be agreed to by the Bank Project Team. The PCU will use resources of the loan to contract an external evaluation 15 months after the initiation of program execution, the results of which will provide an input into the Bank's mid-term evaluation. .

G. Supervision

- 3.29 The Bank, through its Country Office, with support from the project team will supervise execution of the Program. This supervision is expected to exceed normal supervision and will require the contracting of a long-term consultant in the IDB's Representation in Nicaragua dedicated to program execution during its duration. The Bank's project team will visit Nicaragua to participate in the mid-term evaluation. The project team will be responsible for approving the Program's Operating Manual as well as all terms of reference for the contracting of consulting services.

H. Procurement of Works, Goods and Services and Consulting Services

- 3.30 International Competitive bidding will be required for construction works for US\$1.0 million or above, goods and services in excess of US\$250,000 and Consulting Services in excess of US\$200,000. Works, goods and consulting services below these sums will be subject of the procedures attached to the loan contract, and summarized below.

Modality	National Public Competitive Bidding (NPCB) ⁴	Private Competitive Bidding (PCB)
Works	Between US\$150,001 to US\$999,999	US\$150,000 and under
Goods and Services	Between US\$100,001 and US\$249,999	US\$100,000 and under
Consulting Services	Between US\$100,000 and US\$200,000	US\$99,999 and under

I. Disbursements

- 3.31 **Advance of Funds.** A revolving fund will be established for the Program by the FISE. It is recommended that the equivalent of 5% of the Bank's loan be made available as an advance.
- 3.32 **Disbursements.** The loan resources and local counterpart funds will be disbursed directly into a special bank account managed by FISE. Each of the four executing institutions will establish their own separate special accounts.

⁴ The definition of public competitive bidding and private competitive bidding are those contained in the *Ley de contratación*.

- 3.33 The Regional Governments will manage the financial resources for Components 1 and 2. The PCU will make the first disbursement against the presentation of the first year plan for the contracting of the professional service firms that will provide institutional strengthening services and the concurrent audit.
- 3.34 The funds for Component 3 will be transferred by the PCU directly to special program accounts managed by the Ministries of Health and Education. First disbursement for these components will be made against presentation of the respective annual operative plans.
- 3.35 Each executing institution will present to the PCU the justification of requests for advances and reimbursements. The PCU will consolidate these requests for presentation to the Bank according to Bank procedures. The PCU will ensure that the requests are accompanied by the necessary supporting information. The Bank will review ex-ante this information, which will include contracts, orders, invoices, receipts, payment vouchers, supplier certificates and other acceptable documentation agreed to with the Bank.
- 3.36 Program disbursements will be done over a three and a half-year period from the effective date of the loan contract. The schedule for disbursements is estimated as follows:

Proposed Distribution of Program Resources by Year

Year 1	Year 2	Year 3	Year 4 ⁵	Total
10%	45%	30%	15%	100%

J. Accounting and Auditing

- 3.37 FISE, the Regional Governments and the Ministries of Health and Education will establish and maintain adequate accounts and records in accordance with accepted accounting practices, and establish internal and independent control mechanisms that ensure compliance with the Program Operating Regulations. The Anti-Drug Commissions in the two Regional Governments will also establish and maintain adequate accounts and records for the TC financial resources.
- 3.38 **Concurrent Audit.** The concurrent audit will monitor the technical and financial strengthening of the Regional Governments. It will be undertaken by an independent professional services firm acceptable to the Bank who will follow terms of reference agreed with the Bank Project team. Progress reports will be submitted every 4 months until such time that the Regional Governments attain the agreed benchmarks. The audit report indicating that the Regional Governments have reached the acceptable level of performance previously agreed upon with the Bank will trigger the mid-term evaluation.
- 3.39 The Program's accounts will be audited at the end of each fiscal year by a firm of independent and qualified auditors acceptable to the Bank. The audited financial statements to be submitted to the Bank will include an opinion on the accounts and records kept by the different executing institutions and on the use of program

⁵ The execution period for the Program is 3.5 years.

funds. Presentation of statements to the Bank will be done during program execution and will commence with the first year of execution.

- 3.40 The same firm of professional auditors will audit the accounts maintained under the parallel TC.

IV. BENEFITS AND RISKS

A. Benefits

- 4.1 The program will produce interrelated benefits in three areas; within Regional Governments; within the Regional Delegations of the Ministries of Health and Education; and in terms of the Atlantic Coast's integration into national level policy and programming.

1. Regional Governments

- 4.2 The program will finance an integrated package of technical assistance that will enhance the capacity of Regional Governments to act as counterpart development institutions. The modernization of their financial administration systems will strengthen the practice of transparent and accountable management not only of program financial resources but also of all public funds channeled via the Regional Governments. The financial support provided to the regional delegations of the *Contraloría General de la República* will also consolidate the practice of responsible public sector management.
- 4.3 The program will produce benefits at the local level in terms of expanded opportunities for communities and municipalities to participate in the identification of priority local investments. Building stronger relationships between Regional Governments, municipal authorities and communities will help create greater accountability as well as introduce greater efficiencies around the use of public resources. Other efficiencies will be generated by the commitment of beneficiary groups to provide counterpart funding since this will promote ownership and project sustainability.
- 4.4 Improved relations between Regional and Municipal Governments will be sustained to the extent that reforms will be introduced into the mechanism that regulates the transfers of revenues collected from natural resource concessions and licenses. With greater clarity and reliability around these transfers, municipal governments will be in a better position to develop their service delivery as well as their capacities in such areas as land use planning and natural resource management.
- 4.5 The program will promote coordination with the activities of other donors. Here the Regional Technical Units (RTUs) created within the Regional Governments will play a key role. The benefits from this coordination are expected to be substantial. Coordination will facilitate the development of a participatory planning methodology (PPM) for region-wide application, ensure complementarity of the efforts supporting institutional strengthening activities and provide the basis for the formula that will allocate the financial resources available for local priority projects. As a result, not only will efficiencies accrue in terms of resource allocation but the Regional Governments will also attain important on-hands experience in managing donor relations.

- 4.6 The Program is expected to have an overall positive environmental impact on the Atlantic Coast. It will support the creation of land use planning and natural resource management expertise within Regional Governments and at the municipal level. In addition to developing these practical planning skills locally, the program will finance studies to look at the transfer mechanisms regulating the distribution of revenues from natural resource concessions and licenses. By sharpening the link between Municipal and Regional Government financial viability and the prudent natural resource use, it is expected that the Program will contribute to facilitating sustainable regional development strategies and programs. At the operational level, the Program Operating Regulations will enhance the use of environmental evaluation tools and techniques, around the execution of local investments.

2. Health and Education

- 4.7 In addition to addressing key regional problems in the health and education sectors, the program-financed interventions will generate lessons for future actions. The telemedicine pilot has the potential to be extended at the regional and national level to improve the MINSA's referral system, provide on-the-job training to physicians and upgrading the national network of epidemiological control. Similarly, the new model of school supervision for the Coast will strengthen the capacity of regional delegations to undertake supervision, improve supervision quality and provide lessons in an area that is still unattended by the MECD's educational reforms.
- 4.8 Both components have executing mechanisms that integrate personnel and resources from the centralized (MECD and MINSA) and decentralized levels (Regional Delegations and SILAIS). These mechanisms will maximize the communications between these structures. Also, the Central Government's commitment to cover recurrent expenditures as part of its counterpart will help establish the sustainability of similar programs in the future.

3. National Planning and Programming

- 4.9 The Program will improve the availability of information about the Atlantic Coast and help ensure that Atlantic Coast concerns are fed into national level policy-making forum. The creation of an expanded FSS Consejo Coordinador and the location of a Program Coordination Unit within FISE will facilitate discussions on investment programming opportunities on the Atlantic Coast. Similarly, the design of the health and education interventions will ensure that these pilot projects will inform the respective ministries about new programmatic areas.

B. Risks

- 4.10 The operation's success depends on the Regional Governments' ability to develop the capacity to guide and manage regional development processes based on a deepened decentralization. The operation's feasibility therefore rests upon the political will to undertake the required improvements and on the continued participation of local actors who ensure that the institutional strengthening of the Regional Governments is as much grassroots as donor driven.

- 4.11 The task of transforming regional Government into credible counterpart institutions is complicated by many factors, including their weak financial condition, their poor administrative organization and the large amount of financing that is available from the donor community. The Program seeks to coordinate these efforts in order to avoid duplication of effort, but considerable onus for the success of coordination between the present operation and those of other donors will fall on the Regional Governments and on the oversight of the PCU and Consejo Coordinador.
- 4.12 The success of the health and education components is predicated on the creation of effective communication channels between the Central Government and the Regional Units. These channels have been historically weak due to technical and cultural factors. These components also require close coordination between the executing units and the other units at the central level. The institutional instability and infighting between these units could limit the impact of the programs. Although the programs have been designed to create minimum recurrent costs, the issue of sustainability is a factor if the benefits of the program will be realized in the medium and long term. The financial structure of the program has been designed to ensure maximum participation of the MECD and the MINSA in the financing of the recurrent costs with their own budgetary resources.
- 4.13 The program involves a wide range and a large number of different institutional actors both from the Atlantic Coast and Central Government. Program execution will depend upon close and effective inter-institutional collaboration and a shared understanding of lines of responsibility, reporting and decision-making among the different participating institutions. To minimize the execution risk the roles of each participant institution and the inter-institutional framework will be clearly defined in the Program Operating Manual.

NICARAGUA
ATLANTIC COAST LOCAL DEVELOPMENT PROGRAM
(NI-0107)
LOGICAL FRAMEWORK

Narrative Summary	Indicators	Means of Verification	Assumptions
Goal of the program			
The Atlantic Coast participates in national discussions on development policies and programs	The funding of programs at the national level with external financing includes activities in the Atlantic Coast region	<ul style="list-style-type: none"> – National policy strategies – Project documents – The Bank's country paper 	
Purpose of the program			
Development processes efficiently targeted and promoted by Regional Governments, the Ministries, and their regional delegations	The Regional Governments and regional delegations of MINSA and MECD are participating fully in the design, execution, and evaluation of projects funded with external cooperation financing	<ul style="list-style-type: none"> – Interviews – Survey of documents 	
Projects			
1. Institutional strengthening of Regional Governments	The Regional Governments are participating in the design, execution, and growth of projects funded with external cooperation financing and in the preparation process	<ul style="list-style-type: none"> – Interviews – Survey of documents 	
2. Education and health-care services strengthened		<ul style="list-style-type: none"> – Interviews – Survey of documents 	

Narrative Summary	Indicators	Means of Verification	Assumptions
Project 1			
Institutional strengthening of Regional Governments			
Objectives			
1. Adequate organizational structure	1.1 Institutional structure reflects strategic roles of the governments by end of year 1	Organization chart	
2. Financial manuals and policies adopted	2.1 Financial accounting manual in use by end of year 1	Annual audited financial statements	
3. Human resource manuals and policies in force	3.1 100% of new hires are based on new hiring policies by end of project 3.2 50% of existing staff under new human resource guidelines by end of year 1 3.3 100% of employment contracts signed by program's end	Signed contracts Vacancy announcements Signed employment contracts	
4. Participatory planning systems introduced	4.1 Participatory planning processes implemented in 100% of municipalities by program's end	Investment plans	
5. Projects financed	5.1 100% of priority projects financed by the program completed and in use by program's end	Program in files of regional governments	
Project 2			
Education and health care services strengthened			

Narrative Summary	Indicators	Means of Verification	Assumptions
Objectives			
1. New supervision system in place and functioning	1.1 100% of supervisors trained by end of year 1 1.2 Microcenters operating by end of year 2	Ministry's supervision reports	
2. Telemedicine system in place	2.1 100% of municipalities in the telemedicine system selected and participating by program's end 2.2 new epidemiological control system operating by program's end 2.3 100% of doctors and nurses in participating health care centers and hospitals trained by program's end	SILAIS report	
3. Drug use prevention program implemented	3.1 100% of components financed and in operation by year 3 of the program	Coordinating Council reports	

**ATLANTIC COAST LOCAL DEVELOPMENT PROGRAM
(NI-0107)**

PROCUREMENT PLAN

Main Procurement	Financing	Procurement Method (Thousands)	Prequalification	Expected SPN Publication date
1. Program Execution				
<u>Consulting Services</u>				
<u>Long-term consultants for RTUs (US\$570,000)</u> 2 Directors, 4 Specialists, 2 Assistants and 2 secretaries	56% IDB 44% GNI	ICB over US\$200 NPCB from \$100 \$200 PCB under US100	No	I/2000
<u>Short and long-term specialized technical assistance (US\$2,254,430)</u> - Strengthen Regional Governments' planning, land use, regional strategic planning capacity, management, financial and resource administration policies - Modernize Regional Governments' financial administration and internal audit procedures - Firm that will undertake concurrent audit - Strengthen municipal governments' financial and administration capacity - Study financial sustainability of regional and municipal governments - Evaluate transfer mechanism, assess <i>arbitrios regionales</i> and setting up of a Special Development Fund - Design and implement monitoring and evaluation system - Design and implement Participatory Planning Methodology Health subcomponent (US\$163,930) - Prepare operating plan Prepare and implement evaluation system - Evaluate subcomponent Education subcomponent (190,500). - Design supervision mechanism and Microcentros - Prepare and apply instruments - Evaluate subcomponent	100% IDB	ICB over US\$200 NPCB from US\$100 US\$200 PCB under US\$100	No	II/2000
<u>Training – US\$481,000</u> - To regional staff in financial accounting - To municipal staff in financial administration and environment - Internal audit procedures - Extensive use of health equipment - Education Supervisors - Courses, seminars and study tours	100% IDB	ICB over US\$200 NPCB from US\$100 US\$200 PCB under US\$100	No	II/2000 to II/2003
<u>Equipment, Goods and Related Services</u>				
<u>Equipment, goods and related services– US\$1,870,445</u> - Computers, software, internet system radio equipment, vehicles, motorcycles and pangas for Regional Governments - Basic equipment for municipal governments - Medical Equipment for telemedicine pilot plus computers, software, telephones and lines - Didactic materials for health and education subcomponents	100% IDB	ICB over US\$250 NPCB from US\$100 to US\$250 PCB under US\$100	No	I/2000 to II/2003
<u>Construction of Works</u>				
<u>Local investment Projects – US\$2,025,000</u> - Priority projects identified by communities and local governments - Refurbishing of health centers and education regional delegations	100% IDB	ICB over US\$1.0 million NPCB from US\$150 to US\$1.0 million PCB under US\$150	Yes	I/2000 to II/2003

2. Program Coordination				
Consulting Services				
<u>Long-term consultants for Coordinating Unit (US\$313,500)</u> Program Coordinator, 2 specialists and 1 secretary	93% IDB 7% GNI	ICB over US\$200 NPCB from \$100 to \$200 PCB under US\$100	No	I/2000
<u>Short and long-term specialized technical assistance (US\$370,000)</u> - Implement Monitoring and Evaluation system - Firms for annual audits - Other technical assistance	100% IDB	ICB over US\$200 NPCB from \$100 to \$200 PCB under US\$100	No	I/2000 to II/2003
<u>Training (US\$50,000)</u> - Study tours and professional exchanges	100% IDB	ICB over US\$200 NPCB from \$100 to \$200 PCB under US\$100	No	I/2000 to II/2003
Equipment, Goods and Related Services				
Office equipment and supplies and vehicle (US\$90)	100% IDB	ICB over US\$250 NPCB from US\$100 to US\$250 PCB under US\$100	No	I/2000 to II/2003

ICB – International Competitive Bidding
NPCB – National Public Competitive Bidding
PCB – Private Competitive Bidding
SPN – Special Procurement Notice

**NICARAGUA
PLAN OF OPERATIONS
(TC-99-10-02-5)**

Project title:	Regional Plan for the Prevention of the Consumption of Illegal Drugs on the Atlantic Coast		
Number of the technical cooperation operation:	TC-99-10-02-5		
Beneficiary:	Republic of Nicaragua		
Requesting agency:	Ministry of Finance		
Executing agencies:	Regional governments of the Southern Atlantic Autonomous Region (RAAS) and the Northern Atlantic Autonomous Region (RAAN) through their Regional Anti-Drug Councils		
Source of financing and currency:	IDB (FSO nonreimbursable):	US\$330,000	
	Contribution from regional governments:	US\$ 33,000	
	Total:	US\$363,000	
Date of request from the beneficiary country:	September 1999		
Special contractual conditions:	The conditions precedent to the first disbursement of the technical cooperation funding will be: (a) the Bank's standard conditions precedent to the first disbursement; and (b) evidence that the agreements between the beneficiary and each of the executing agencies have entered into force for the transfer of resources as the contribution for program execution.		

I. OBJECTIVES AND DESCRIPTION

- 1.1 Due to the region's location along the main transshipment route for cocaine from South to North America, members of coastal communities often find abandoned drug packages. Local consumption of marihuana and cocaine has increased significantly over the last few years and now lies at the root of serious public

health and social problems. In coastal indigenous settlements, escalating levels of drug-related violence and crime are eroding traditional community structures.

- 1.2 This technical cooperation operation will finance the implementation of a plan to prevent the use of drugs in the region. The activities under the plan have been identified and developed by experts in the area through a participatory process in consultation with the Atlantic Coast community stakeholders. The plan emphasizes preventive measures more than measures focused on coercion and institutionalization of drug users. Prevention activities are generally cost-efficient and sustainable and have had significant impact under circumstances similar to those of the Atlantic Coast.
- 1.3 The operation will finance: (i) the hiring and training of a multicultural technical team to implement prevention activities in the communities, and the resources necessary for the plan's administration, promotion, and evaluation; (ii) public awareness and information activities; (iii) training for community agents; (iv) cross-sectoral and community fora to improve dialogue among the various stakeholders; and (v) evaluation of the plan, which will consist of monitoring, annual evaluations to fine-tune the plan, and impact evaluation.
- 1.4 The components of the Regional Plan for the Prevention of the Consumption of Illegal Drugs on the Atlantic Coast are described in more detail below:

1. Human resources and infrastructure

- 1.5 This component will finance the hiring and training of human resources, the provision of materials, and administrative support to promote, execute and evaluate the plan's objectives and strategies at the regional level.

2. Information

- 1.6 This component will promote the gathering and dissemination of information in order to increase social participation and strengthen the communities' intervention capacity. An information system will be developed to promote drug use prevention and the adoption of healthy lifestyles in the Atlantic region.
- 1.7 Financing will be provided for the dissemination of prevention programs through radio transmissions that cover the Atlantic Coast. These actions – together with the drafting and publication of educational and advertising material, including wall newspapers, posters, pamphlets and brochures – will allow for the educational process to have a more long-lasting effect and for the prevention impact to affect a greater number of beneficiaries.

3. Training

- 1.8 The training will comprise pedagogical and methodological processes whereby the communities, through their own cultural perspective, will acquire and strengthen the attitudes and skills needed to understand and implement drug prevention processes. This component will be the basis for an ongoing training program for multiplier agents on the prevention of drug use and the promotion of healthy lifestyles.
- 1.9 Ties among the various sectors involved in dealing with the drug problem are considered very important. Accordingly, training will be provided for staff of government agencies, including staff of the Ministries of Health and Family, the police force, the Ministry of Education, Culture, and Sports, the Ministry of Government, authorities from the region, and representatives of NGOs. Training will also be provided to young people between the ages of 12 and 18, members of various women's organizations, and religious and community leaders.

4. Cross-sectoral and coordination activities

- 1.10 This component will promote cross-sectoral coordination as a strategy to ensure that the various agencies working on the region's drug use problem focus their activities around common objectives. The purpose of this coordination is to make sure that all these actions are carried out consistently and judiciously.
- 1.11 The goal is to encourage discussion, reflection, and analysis among young people on the issue of drugs to involve them in the search for alternatives through panels, meetings, and other types of gatherings to promote greater social awareness of the problem. In order to support the mobilization and organization of young people with regard to the issue of drugs, vouchers for community coordinators and the purchase of baseball, music, and theater equipment and materials will be financed.

5. Evaluation

- 1.12 The evaluation will focus on the systematic gathering and analysis of information to determine the relevance, progress, effectiveness, efficiency, and impact of the plan's actions. A local expert will develop an instrument to measure the plan's progress and will train team staff. A systematic and ongoing evaluation is provided for, to be conducted by the plan's execution team through the presentation of a semiannual report on activities, proposed actions, and the plan's impact to the regional government, the central government, and the IDB.
- 1.13 A midterm evaluation will be conducted 18 months after start-up of the activities so that progress can be measured and decisions made on steps to be taken.

II. EXECUTION AND BUDGET

- 2.1 The Regional Plan for the Prevention of the Consumption of Illegal Drugs on the Atlantic Coast will be carried out by the governments of the RAAN and the RAAS, through their Regional Anti-Drug Councils and their liaison offices in Managua. For execution of the plan, the councils will be supported by a multicultural technical team comprised of three professionals financed with resources from the technical cooperation operation and assigned to the councils. One of these professionals will act as the plan's general coordinator. The councils are regional entities attached to the regional governments and they have a representative from each of the following institutions: (i) regional governments; (ii) the NGOs involved in regional activities to prevent drug use; (iii) the national police; (iv) the national ministries (education or health); and (v) the community. The technical team will be trained in management, promotion and evaluation of the plan. The general coordinator will coordinate all the technical cooperation activities and will present to the IDB all the documentation regarding this operation following authorization from the governments of the RAAN and RAAS as represented by their respective councils.
- 2.2 This operation will be executed over a period of 36 months and the funds will be disbursed over the same period. The contracting of consulting services and the procurement of goods will be done pursuant to the Bank's standard procedures. The consultants' contracts, with the exception of the contracts for the professionals on the technical coordination team, will be for lump sums and will be disbursed as follows: 40% upon signature of the contract and presentation of the work plan detailing the activities to be carried out; and 60% upon delivery of the final report, detailing the completion of the tasks. The work plan and final report of each consultancy will require the Bank's concurrence.
- 2.3 Consultants on the technical coordination team will be paid for services rendered on a monthly basis. The project's technical files contain the terms of reference for hiring these consultants.
- 2.4 To hire consultants for amounts of up to US\$200,000, and pursuant to the terms of Annex B, the parties agree to the following, in addition to the provisions of Annex B to this contract: (i) contracts for consulting services for an amount ranging from US\$100,000 to US\$200,000 equivalent will be awarded on the basis of local open calls for proposals; and (ii) contracts for consulting services for an amount equivalent to US\$99,999 or below will be awarded on the basis of a limited call for proposals, in which at least three candidates will be evaluated.
- 2.5 The estimated budget for the technical cooperation operation is presented below.

Components and Activities	Unit Cost (in US\$)	Quantity	Unit	Total
1. Human Resources and Infrastructure				
a. Human Resources				
General Coordinator	600	36 months		21,600
Administrative and technical assistants	400	108 months		43,200
Subtotal Human Resources				64,800
b. Infrastructure				
Total Equipment	5,550	2 offices		11,100
Total Furnishings	2,700	2 offices		5,400
Subtotal Infrastructure				16,500
c. Operating Expenses				
Operating expenses of Coordinating Offices	100	72 months		7,200
Subtotal Operating Expenses				7,200
Total Human Resources and Infrastructure				88,500
2. Information				
Information officer	1,800	6 months		10,800
Dissemination activities		1 package		115,000
Materials		1 package		4,500
Total Communication				130,300
3. Training				
Workshop with government and NGO staff	4,400	1 workshop		4,400
Training module for community stakeholders	9	5000 individuals		45,000
Training materials		1 package		5,300
Total Training				54,700
4. Cross-sectoral and Coordination Activities				
Training and dissemination needs workshop	2,200	1 workshop		2,200
Equipment and materials		1 package		18,800
Vouchers for coordinators	1,000	18 coordinators		18,000
Total Cross-sectoral and Coordination Activities				39,000
5. Evaluation				
Consultant – Local expert	2,000	5 months		10,000
Workshop: presentation of evaluation and planning of future actions	2,200	1 workshop		2,200
Total Evaluation				12,200
Total Components				324,700
Contingencies				5,300
Total IDB				330,000
Total Local Contribution (physical infrastructure)				33,000
Grand Total				363,000

III. RESPONSIBILITY

- 3.1 The Bank's Country Office in Nicaragua will have responsibility for the operation and will administer it. The project team will review and approve the process for selecting consultants and consulting firms and the consultants' work plans and final reports.

PROPOSED RESOLUTION

NICARAGUA. LOAN ____/SF-NI TO THE REPUBLICA DE NICARAGUA

Atlantic Coast Local Development Program

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the República de Nicaragua, as Borrower, for the purpose of granting it a financing to cooperate in the execution of an Atlantic Coast Local Development Program. Such financing will be for the amount of up to US\$8,000,000, or its equivalent in other currencies, except that of Nicaragua, which are part of the resources of the Fund for Special Operations, and will be subject to the "Special Contractual Conditions" and the "Financial Terms and Conditions" of the Executive Summary of the Loan Proposal.

PROPOSED RESOLUTION

NICARAGUA. NONREIMBURSABLE TECHNICAL COOPERATION FOR A
REGIONAL PLAN FOR THE PREVENTION OF DRUG USE ON THE ATLANTIC COAST.

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such agreements as may be necessary with the República de Nicaragua and to adopt such measures as may be pertinent for the execution of the plan of operations referred to in Document AT- , with respect to a nonreimbursable technical cooperation for a Regional Plan for the Prevention of Drug Use on the Atlantic Coast.
2. That up to the sum of US\$330,000, or its equivalent in other convertible currencies, is authorized for the purposes of this resolution, chargeable to the net income of the Fund for Special Operations.
3. That the above-mentioned sum is to be provided on a nonreimbursable basis.