

COMPREHENSIVE CHILD CARE PROGRAM - STAGE 2

(NI-0153)

EXECUTIVE SUMMARY

Borrower:	Republic of Nicaragua	
Executing agency:	Ministry of the Family (MIFAMILIA)	
Amount and source:	IDB(FSO):	US\$ 25,000,000
	Borrower:	US\$ 2,780,000
	Total:	US\$ 27,780,000
Terms and conditions:	Repayment period:	40 years
	Grace period:	10 years
	Disbursement period:	42 months (3-1/2 years)
	Interest rate:	1% per year during the first 10 years
		2% per year from that date forward
	Inspection and supervision:	1% of the amount of the loan
Objectives:	Credit fee:	0.5% annually on the undisbursed balance of the loan
	<p>Approximately two thirds of Nicaraguan children under 5 years of age live in poverty, while around one fifth live in extreme poverty, making this the age group most likely to be poor. The lack of prenatal and health care, nutrition, and early stimulation among the majority of poor children dramatically reduces their capacity to be successful in primary school. As a result, they do not acquire the knowledge or skills to help them overcome the poverty in which they were born, thus transmitting it from one generation to the next.</p> <p>In order to break this cycle of poverty and provide children with improved development, health, and nutrition, the proposed operation—which is an expansion of the Comprehensive Child Care Program (PAININ)—promotes ongoing, comprehensive care for vulnerable children, from gestation until they enter primary school.</p> <p>In this framework, the objectives of PAININ-2 are: (i) to broaden the comprehensive care of PAININ-1, using targeting based on childhood vulnerability criteria; (ii) to improve the quality of care; and (iii) to strengthen the institutional framework for guiding, supervising, and financing child care programs.</p>	

Description: To date, child care efforts have been fragmented among different sectors, and have suffered from insufficient coverage and a failure to provide the supplementary support to families needed to achieve lasting effects. Thus, there is a lag in investment to help the most vulnerable, though this is precisely where investment could be most cost effective in reducing poverty. PAININ-2 would fill this void, adding significant coverage to the initial program of comprehensive care for Nicaragua's children.

Implementation of the program would occur over three years, and would be linked to the Strengthened Poverty Reduction Strategy (ERRP) through the social protection pillar. The program would invest in human capital and in strengthening the institutional framework for protecting poor and vulnerable children. The program earmarks nearly 75% of its resources for comprehensive child care programs in targeted localities and consists of two components.

Component 1. Comprehensive care projects for children in targeted municipalities (73% of resources)

Through component 1, the executing agency would contract civil society organizations, known as participating entities (PEs), to implement comprehensive care projects for poor and extremely poor children under 6 years of age in municipalities with the greatest needs. The average cost of care in this second stage is estimated at US\$145 per child per year, providing care—in the third year—to 80,000 children. This represents an increase of 250% over the current coverage.

PEs will provide assistance in: (i) instructing pregnant and nursing women in child-rearing practices (including nutrition); (ii) referring pregnant women to the health care system, where they can receive prenatal care, with both instruction and referral designed to ensure that children are born healthy; (iii) measures to stimulate early development and to provide preschool education to children under 6 years of age; (iv) monitoring of growth and development, including referring children to the health care system; (v) instruction and advice to parents regarding proper child-rearing practices, nutrition, family hygiene, violence prevention, and reproductive health; and (vi) provision of food supplements for children and pregnant and nursing women. PEs will deliver services through community child care centers and by use of mobile teams working out of community-based units.

Component 2. Institutional strengthening and support for the operational framework (18% of resources)

The second component seeks to strengthen institutions responsible for child care and support the operational framework for implementing PAININ, while institutionalizing PAININ as a MIFAMILIA program that extends beyond the present operation, to be carried out externally.

Although administration of the program will be supported by Bank resources (from component 2), the Ministry will provide a growing portion of this financing, and will include counterpart financing for this operation in the its 2001 fiscal budget.

In addition, component 2 will provide financing to develop and set in place the operational instruments needed to provide MIFAMILIA with information and tools for monitoring, follow-up, and evaluation of component 1 projects. Training and social communication will also be employed, in order to increase awareness and bring civil society organizations into the program.

The Bank's country and sector strategy:

The Bank's strategy in Nicaragua gives priority to poverty reduction, through productive and social projects investment in human capital, as set forth in the Country Paper (GN-1931). The Bank supported preparation of the ERRP, and has promoted adoption of the strategy as a national policy. This approach has also influenced the design of operations agreed upon with Nicaragua.

The poverty reduction agenda supported by the Bank includes: (i) financing basic infrastructure, with an emphasis on local development; (ii) sectoral reform in education, health, and care for vulnerable groups; (iii) strengthening management and line institutions (Ministries), and institutions concerned with coordination (Technical Secretariat of the Office of the President) and execution (Social Investment Fund, Municipal Development Institute, and municipalities); and (iv) establishing a network of social protection programs for Nicaragua.

PAININ is consistent with the Bank's strategy and has become part of the social protection network, since it uses vulnerability criteria, targets the most vulnerable, and seeks to strengthen supply and demand for cost-effective comprehensive care for the target group, in order to break the intergenerational cycle of poverty. PAININ also provides a model for reforming the system of caring for vulnerable groups, and fosters improved and more targeted social spending.

Environmental and social review:

The program is not expected to have a negative impact on the environment. The works envisaged in this operation are small in scale, and are aimed at providing children with a clean environment. Environmental management standards developed by the Emergency Social Investment Fund, annexed to the program's operational guidelines, will be applied. It is anticipated that training and consulting activities in family hygiene and child rearing for parents and young people will increase awareness on the sustainable use of natural resources.

Benefits:

PAININ is expected to have the following benefits: (i) better preparation for children to enter and succeed in school, thus avoiding the deficiencies these children normally have upon entering primary school; (ii) improvement in the economic situation of families, by permitting mothers with young children receiving care through the program to work, and by providing the facilitators (who are mostly women) local opportunities for training and income; (iii) gender equity: since PAININ includes consultation and training for young adults, it is anticipated that there will be an increase in the age of first pregnancies, along with increased school attendance among girls, giving them greater access to learning and skills that could affect the future education of their children; and (iv) social equity: the system of targeting will ensure that an equitable proportion of resources is earmarked for the Atlantic Coast Region, while the participatory nature and design of the projects will incorporate the social and cultural reality of the groups being served.

Risks:

One major risk is the electoral calendar, which involves a change of administration at the beginning of PAININ-2. This risk is mitigated by the fact that PAININ falls within the ERRP, which has broad acceptance as a national policy. The issue of children proved to be a strong uniting element in the first stage. Moreover, the Project Preparation Facility (PPF) 1076/SF-NI, currently under execution, will make it possible for the technical team, the initial dissemination campaign, and even some projects to already be underway when the change of administration occurs.

Although PAININ-1 established transparent mechanisms for collaboration, there is a risk that there will be disagreement between the government and civil society regarding program approach. The execution scheme establishes a system of social audits within the parents' committees and children's commissions. The clarity and specificity of the operational guidelines will help promote the basic concept of collaboration established in PAININ-1.

There is also a risk that there will be pressure not to apply the targeting protocol in a transparent manner. This risk will be mitigated by including the list of eligible municipalities in the operational guidelines prior to the start of implementation and by broad dissemination of criteria for selecting localities and of program objectives and standards.

Since MIFAMILIA is in the initial stages of modernization, with assistance from loan 1061/SF-NI, its institutional sustainability has yet to be consolidated. However, the technical support and financing envisaged in this operation and in loan 1061/SF-NI will mitigate this risk.

There could be cultural resistance, on the part of mothers, to caring for children ages 0 to 3 years of age. This risk will be mitigated by counseling pregnant women, offering home care, communicating the social benefits of early comprehensive care, and designing projects in each municipality, so that the particular cultural needs of the community are taken into account.

**Special
contractual
clauses:**

- 1. Conditions precedent to the first disbursement:**
 - a. The executing agency shall present, to the Bank's satisfaction, evidence that the program's operational guidelines have officially entered into force. (Paragraph 3.29)
- 2. Special condition precedent to the first disbursement of resources of component 1.**
 - a. The executing agency shall submit, to the Bank's satisfaction, a report from the consulting firm in charge of the evaluation confirming that the data for the baseline data were successfully collected prior to the first disbursement for component 1, "Comprehensive Child Care in Targeted Municipalities." (Paragraphs 2.28 and 3.30)
- 3. Other special conditions of execution:**
 - a. No more than 80% of the resources from category 1.1—Financing of Child Care Services—may be allocated to projects in municipalities of the Pacific Region. In order to institute this contractual clause, the executing agency shall report the proportion of resources from category 1.1 obligated to the Atlantic Coast and Pacific Regions of the country when requesting the Bank's nonobjection to soliciting tenders for each new municipal project. (Paragraphs 3.11 and 3.31)

- b. No later than 20 months after the effective date of the operation, the executing agency shall submit to the Bank a mid-term evaluation report and it shall submit a final evaluation report on the operation no later than 36 months after that same date. (Paragraphs 3.25 and 3.32)

Poverty-targeting and social sector classification:

This operation qualifies as a project that promotes social equity, as described, under key objectives for Bank's activities, in the report on the Eighth Replenishment (document AB-1704). The borrower shall fund 10% of the cost through additional financing. (Paragraph 2.4)

This operation also qualifies as a poverty reduction project (PIP). (Paragraphs 3.11 to 3.15 and 4.8)

Exceptions to Bank policy:

In selecting consultants, the executing agency shall, with the Bank's nonobjection, use an evaluation methodology based on quality and cost. In all cases, the cost criteria may not represent more than twenty percent (20%) of the total assessment.

Procurement:

Bank procedures shall be used for works construction (only minor works are envisaged), procurement of goods, and contracting of consulting services, as specified in paragraphs 3.33 and 3.19.

Table III-2. Procurement and contracting procedures		
Goods	Comprehensive care services	Consulting services
More than US\$250,000 ICB	More than US\$250,000 ICB With prequalification	More than US\$200,000 ICB With prequalification
Between US\$50,000 and US\$250,000 NCB	Between US\$50,000 and US\$200,000 NCB With prequalification	Between US\$50,000 and US\$200,000 NCB
Less than US\$50,000 PC	Less than US\$50,000 PC With prequalification	Less than US\$50,000 PC

ICB: International competitive bidding

NCB: National competitive bidding

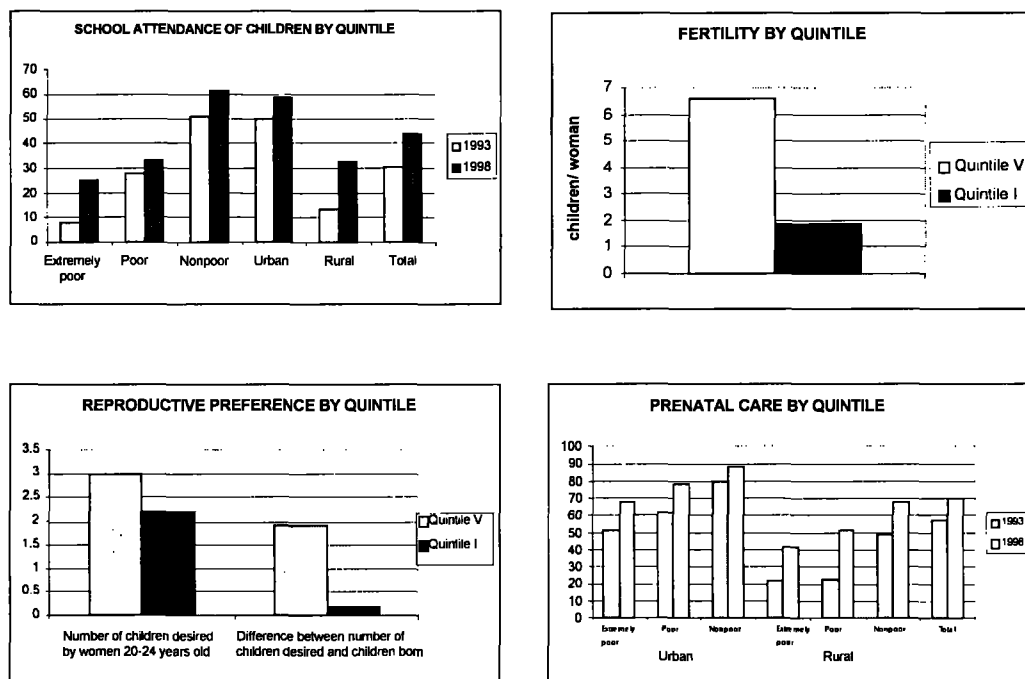
PC: Price shopping

I. FRAME OF REFERENCE

A. Early child care and poverty reduction

- 1.1 Approximately two thirds of Nicaraguan children under five years of age live in poverty, while around one fifth live in extreme poverty¹, making this the age group most likely to be poor. The sociodemographic profile of the country illustrates the phenomenon of spiraling intergenerational poverty. The lack of prenatal care, health care, nutrition, and early stimulation among the majority of poor children, from the time of conception, drastically reduces their capacity to succeed in primary school. As a result, they do not acquire the knowledge or skills to help them overcome the poverty in which they were born, thus transmitting it from generation to generation. The poorest households² have a fertility rate of 6.6 children per mother, while this rate is 1.9 among the rich. This high fertility rate among the poor population leads to spiraling poverty. Early intervention is vital to reversing this process and is one of most significant strategies for reducing poverty in Nicaragua.

Some causes of inter-generational poverty transmission



¹ *Perfil de Pobreza de Nicaragua*, World Bank, June 29, 2000. The extreme poverty line is defined as the annual per-capita spending on food necessary to cover minimum caloric intake. Its value in Nicaragua, in 1998, was US\$212 per capita per year.

² Source: *idem*. Comparison between the first and fifth income quintile.

- 1.2 The proposed operation seeks to break the intergenerational transmission of poverty, providing vulnerable children under six years of age the comprehensive care that will allow them to develop their physical, mental, and emotional potential. The program's strategy is to change family behavior, overcoming economic, social, and cultural resistance to comprehensive care, while placing the welfare of the child at the center of the community development project. This strategy is based on a dual approach: encouraging the contracting of comprehensive care services through civil society organizations, and simultaneously strengthening the capacities of the State, civil society, and families themselves, in order to foster early investment in the human capital of the most vulnerable.
- 1.3 An absence of early stimulation and poor nutrition are common manifestations of childhood vulnerability. Thirty-six percent of children in extreme poverty suffer from malnutrition, while this is true for only 12% of children who are not poor. The causes of this vulnerability, according to an analysis of the characteristics of poverty in Nicaragua,³ are associated, in particular, with the educational level of the mother and the number of small children in the home. Thus, only 15% of women ages 15 to 19 who belong to the poorest group attend school, while this proportion is above 50% for those who are not poor.⁴ There is also an association between high levels of violence within the family and high fertility rates within households. Women in the poorest income quintile have an average of 1.9 children more than they wish to have, while women in the richest quintile come close to meeting their reproductive preferences. This implies that interventions to reduce poverty should also promote demand for child care, and provide counseling for parents and adolescents on issues of reproductive health, violence prevention, gender equity, and sound child-rearing practices.
- 1.4 The effects of malnutrition on women during pregnancy, and on children in the first two years of life are irreversible. Conversely, it has been demonstrated that programs for early stimulation and early education have permanent positive effects on children's learning in primary school and reduce the dropout rate. This means that interventions to increase human capital provide the greatest return when they are directed at children under 2 or 3 years of age: a long-term return of up to 600% has been documented—achieved through greater educational efficiency, reduced violence, and greater productivity.
- 1.5 Nevertheless, in Nicaragua, efforts to provide child care have, to date, been fragmented—programs typically address nutrition, health, and stimulation separately. Typically, there is insufficient coverage—particularly for children under 3 years of age—and a lack of supplementary support for the family, necessary in order to achieve a lasting effect. Thus, the demand for comprehensive care is not

³ *Desarrollo de Criterios, mecanismos e instrumentos de focalización para PAININ-2*, Consulting provided to the IDB, Gustavo Arcia, Vanessa Castro Cardenal and Dulce María Mayorga, Managua, June 2001.

⁴ *Nicaragua Poverty Profile*, p.17. Socioeconomic quintiles based on unmet basic needs.

developed, leading to a lag in investment in the most vulnerable of Nicaragua's population, though this is precisely where investment could be most cost effective in reducing poverty. The proposed operation, which expands the Comprehensive Child Care Program (PAININ), would fill this void, providing significant coverage in the country's first comprehensive child care program.

B. Strategy and institutional framework for comprehensive child care

1. Comprehensive care in the framework of the ERRP

- 1.6 Since the meeting of the Geneva Consultative Group in May 1998, the Government of Nicaragua has been consolidating its social policies. The tragic effects of Hurricane Mitch in October 1998 emphasized the urgency of targeted investment in human capital and social protection of the most vulnerable, as a vital part of enabling the country's sustainable development. The government's commitment to the international community in this regard—given in the context of potential debt forgiveness—is codified in the *Strengthened Poverty Reduction Strategy*⁵ (ERRP), which represents the country's development policy.
- 1.7 The ERRP consists of four pillars: (i) broad-based economic growth; (ii) increased and higher-quality investment in the human capital of the poor; (iii) improved protection for vulnerable groups; and (iv) governance. The third pillar—social protection—defines three keys to reducing vulnerability: (i) rationalizing the institutional framework and strengthening public institutions responsible for social protection, in order to identify vulnerable groups and formulate strategies for care; (ii) reorienting services to fit the needs of the most vulnerable; and (iii) strengthening the institutional capacity of local governments and communities. The ERRP also identifies cross-cutting issues, including the need to promote gender equity, decentralize public administration, and promote participation by citizens and by organized civil society.
- 1.8 One of the most important goals proposed by the country in the ERRP is the commitment to reduce extreme poverty by 50% before 2015, make primary education universal by that date, reduce maternal mortality by 75% and mortality among children under 5 years of age by 67%, provide universal access to reproductive health, and reduce chronic malnutrition to 7%.

2. PAININ and similar programs

- 1.9 The Ministry of the Family's Comprehensive Child Care Program (PAININ) would contribute directly or indirectly to meeting these goals, since it promotes social protection guidelines, while encouraging targeted investment in the human capital of the poor, as outlined in the second pillar of the ERRP. Moreover, its operational

⁵ *Estrategia Reforzada de Reducción de la Pobreza*, Government of Nicaragua, Managua, August 2000.

framework emphasizes participation. *PAININ is unique in Nicaragua in its model for providing care, its implementation scheme, and its breadth of coverage.* Created in 1996 through a Bank operation,⁶ its objective is to promote comprehensive care for vulnerable children under 6 years of age. It is “comprehensive” in that: (i) the care includes measures to provide early stimulation and early education, and to promote health, nutrition, and daily care; and (ii) implementation fosters family and community participation. PAININ’s operational scheme established an important precedent, with NGOs (known as participating entities—or PEs—and hired by the Ministry) exclusively responsible for providing the services. The PEs provide care in a network of community child care centers (CICOs), where an average of 30 children are served daily. The proposed program would expand PAININ’s coverage, incorporating lessons—accomplishments, as well as limitations to be overcome—learned in the execution of the first stage. (See section D. The experience of PAININ-1, p.7)

- 1.10 Currently, there are two main projects directed at children, though their strategies are sectoral, rather than comprehensive: (i) the MECD, through the program APRENDE⁷, provides preschool education to 100,000 children, mostly 5- and 6-year-olds. APRENDE does not target poverty, and its approach is strictly educational; (ii) MIFAMILIA is implementing the program PMA-4515, which provides food supplements to some 120,000 children from 2 to 6 years of age through dining facilities located in marginal urban areas, certain preschools, and PAININ’s CICOs. From its inception, PAININ has implemented coordination agreements and integrated activities of the two programs. Beginning in 2002, PMA-4515 will be targeted strictly to municipalities with food insecurity. It is expected to provide baby food for infants and initiate a project of food supplements for pregnant and nursing women. The planning document of the World Food Program (WFP) in Nicaragua restates the commitment to seek an alliance with PAININ⁸.
- 1.11 With the expansion of PAININ, a true social protection *network* is being established at the local level. In fact, the other program under the ERRP pillar—the Social Protection Network⁹ (RPS)—emerged in 2000 and is in its pilot stage. While one of its components benefits children under the age of five, the risk of duplicating the

⁶ Loan 973/SF-NI for US\$3.5 million, with cofinancing through ATN/NB-5483-NI for US\$2.8 million donated by Norway; execution concluded in March 2001. Current PAININ coverage is 23,000 children in 35 municipalities and 473 CICOs. Loan 1076/SF-NI, line PPF/013-NI provides bridge financing to maintain CICOs functioning until they are eligible for PAININ-2.

⁷ APRENDE is a program financed by a credit from the World Bank, earmarked for basic education, and is in its second phase of a four-year period. The activities described here are part of its preschool component. PMA-4515 has been financed by the World Food Program since 1995 and has been executed, in part, by MIFAMILIA (dining facilities for children) and by MECD (PinEscolar).

⁸ *Perfiles de las Estrategias en los Países*, Doc. WFP/EB.1/2001/7/1, World Food Program, p.15.

⁹ This program is financed by Loan 1055/SF-NI for US\$9 million.

efforts of PAININ is limited, for the following reasons: (i) the menus of care provided by RPS and PAININ are complementary, not identical: RPS focuses on the first four grades of primary school (ages 7-10), while PAININ deals with early stimulation and early education (ages 0-6); in health, RPS *provides* vaccinations and oversees children's growth, while PAININ refers its beneficiaries to the health system, focusing instead on child care and child-rearing practices; and (ii) the respective intervention strategies are different: RPS is directed essentially at demand, and stimulates supply in a limited manner, while PAININ primarily finances the provision of comprehensive care, stimulating, in a complementary fashion, demand for this service.

- 1.12 The implementation strategies of the two programs, on the other hand, are similar, since they both emphasize poverty targeting, coresponsibility of families, and fostering complementarity between the State and civil society. The two programs share the same coordination mechanism at the central level, namely, the Supplementary Social Fund (paragraphs 1.15 and 3.6). As a result of the similar and complementary nature of the two programs, it should be possible to integrate the two programs at the local level, once the institutional framework of the social sector has been consolidated and rationalized.

3. Institutional framework for comprehensive child care

- 1.13 **Ministry of the Family.** The institutional framework for caring for vulnerable groups was redefined in the context of Public Administration Reform, through Law 290, of 1998. This law designates the Ministry of the Family (MIFAMILIA) as the entity authorized to issue policies and rules, and makes it responsible for promoting child care and child protection programs and projects. MIFAMILIA's current budget is limited; efforts have recently begun to update its institutional structure, based on the former Fund for Children and Family (FONIF); and, with the exception of its connection to PAININ, for which it acts as an oversight body, MIFAMILIA has few policies, strategies, or consolidated standards for prioritizing its actions within a broad mandate. In order to overcome these limitations, and as a strategy for institutionalizing the third pillar of the ERRP, the government is undertaking to strengthen MIFAMILIA, primarily with resources from loan 1061/SF-NI for US\$1 million. The strengthening strategy is not aimed at developing the Ministry's operational capacity, as such, but rather at giving MIFAMILIA a specialized role in administration and standard setting, as well as in supervising externally-executed projects—thus institutionalizing the PAININ model. The expansion of PAININ would consolidate MIFAMILIA's practice of collaborating with civil society in a regulated and targeted program.
- 1.14 **Municipal children's commissions and organized civil society.** The oversight role of the Convention on the Rights of the Child gave rise to the promulgation of the Code of Youth and Adolescence and the establishment, in most municipalities, of a mechanism to promote, plan, and coordinate actions benefiting children. These

are known as municipal children's commissions (CMNs), and include representatives from civil society and from the Municipal Technical Unit (municipal governments and delegates from different sectors). Some commissions have succeeded in increasing the visibility of children's issues in the municipal agenda and are administering investment projects with FISE. At the same time, NGOs concerned with children's issues have been consolidated in the NGO coordinating body, with some 50 members. This network allows for an exchange of experiences and facilitates lobbying for policies that benefit children, particularly within the National Council for the Care and Protection of Children and Adolescents—the forum for coordinating and promoting policies established by the Code.¹⁰ These bodies will be given a role in implementing the program, in order to ensure proper coordination at the local level. (Paragraph 3.8)

- 1.15 **Supplementary Social Fund (SSF).** Finally, the government's institutional strategy for the social protection pillar includes expanding the agenda of the Supplementary Social Fund (SSF). The SSF is a mechanism for coordinating and rationalizing social spending, and was created in 1998, with the Bank's support, to protect social spending during the adjustment period.¹¹ Programs financed under this mechanism will support sectoral reforms designed to increase the targeting, effectiveness and efficiency of social spending. Its structure includes a Coordinating Council that includes principal stakeholders in social spending, a donors' representative, and technical liaison committees. The structure allows for the adoption of intersectoral care standards and coordination of activities. Because of these qualities, the ERRP is given priority in the SSF agenda for receiving fiscal funds and benefiting from potential debt forgiveness. The government requested that PAININ be included in this agenda, so that it could benefit from the SSF's ability to act as a coordinating mechanism at PAININ's central level. The advantages of this scheme are detailed in paragraph 3.6.

C. Bank's strategy in Nicaragua

- 1.16 The Bank's strategy in Nicaragua gives priority to poverty reduction, through productive and social projects and investment in human capital, as set forth in the Country Paper (GN-1931). The Bank also supported development of the ERRP, particularly in helping to make this strategy a national policy. This also guides the design of operations agreed upon with Nicaragua. In particular, the poverty reduction agenda supported by the Bank includes: (i) financing for basic infrastructure, emphasizing local development; (ii) sectoral reform in education, health, and care for vulnerable groups; (iii) strengthening management and line institutions (Ministries), as well as those concerned with coordination (Technical Secretariat of the Office of the President) and execution (Social Investment Fund,

¹⁰ See Annex III.

¹¹ Presidential Decree 122 of 6 December 2000 granted the SSF permanent status.

Municipal Development Institute, and municipalities); and (iv) establishing a network of social protection programs for Nicaragua.

- 1.17 PAININ is consistent with the Bank's strategy and has become part of the social protection network. The program, whose efforts are directed at the most vulnerable segments of the population, seeks to strengthen supply and demand for comprehensive child care for the target group in the most cost-effective manner possible, in order to break the cycle of intergenerational poverty. PAININ also provides a model for reform in the provision of care to vulnerable groups and encourages increased and more targeted social spending.

D. Experience of PAININ-1

1. Accomplishments of PAININ-1

- 1.18 The achievements documented by the mid-term and final evaluations¹² of PAININ-1 provide justification for expanding it to the national level, through the present program, and suggest which elements should be retained in the design of PAININ-2. These accomplishments include: (i) the effectiveness of the PAININ-1's care model in impacting children's development; (ii) the ability to gain broad participation; and (iii) the efficacy of the operational scheme in achieving interinstitutional coordination.

(i) Effectiveness of the care model

- 1.19 The evaluation of PAININ-1 documented a positive effect on the growth and development of children in the program.¹³ The proportion of children in PAININ exhibiting nutritional deficit dropped by 80%: the percentage of children with severe malnutrition declined from 5.6% to 1.4%, while there was virtually no reduction within the control group. Likewise, the proportion of PAININ children on the at risk threshold, according to a MINSA development index, declined 13.8% compared to children in the control group.
- 1.20 Both the mid-term and final evaluations noted improvements in child-rearing practices. The proportion of PAININ parents indicating that they play with their children or go for walks with them increased by four percentage points over the control group. In addition, there were effects not anticipated in PAININ's original design, such as increased *net* enrolment in elementary schools in the areas

¹² *Evaluación de Medio Término del PAININ*, Gustavo Arcia and Vanessa Castro, March 1999 and *Evaluación Final de PAININ*, Carolina Zúñiga, February 2001, Reports to the IDB.

¹³ A measurement was made of the change between August 1999 and October 2000 in a representative sample of PAININ-1 children and in a control group of children of similar weight for their age and according to a development index, based on representative stimuli, measuring motor activity, language skills, and social affect.

served—due to local efforts to refer children to the school system—and greater registration of children in the civil registry.¹⁴

- 1.21 In focus groups, the mothers of PAININ children expressed satisfaction with the program: “In the CICOs, there are people who provide love, caring, and understanding for the children”; “The facilitators are like surrogate mothers, providing tenderness and understanding.” The best evidence of this approval was that, among 189 CICOs whose IDB financing could not be maintained because they were in areas of lesser poverty, more than 100 found alternative financing through the efforts of civil society (PEs, municipal government, or the community).

(ii) Focus on the family and on encouraging community participation

- 1.22 The achievements of PAININ-1, in regard to growth and development, are due to the focus on families and communities—a feature of the most successful PAININ-1 projects. These have become centerpieces of community development projects. In a significant number of projects, even in very poor communities, parents devoted time and effort to building CICOs on their own, without any support from the Bank or from the central government. These CICOs, established through community participation, almost universally had the highest ratings for care provided. This achievement is evidence that the beneficiaries have appropriated the project as their own. This provides sustainability, since it encourages family responsibility (and *demand*) and avoids an assistance-oriented posture (of *supply* without counterpart). PAININ-2 will increase the focus on local coordination and community participation, while project-financing mechanisms will provide an incentive for attracting complementary resources. (Paragraphs 2.15 and 2.18).

(iii) Effectiveness of the operational scheme

- 1.23 The implementation scheme established an *important precedent* for differentiating functions, with the State responsible for facilitating and overseeing the application of care standards and for program financing, and civil society responsible for implementation, through the PEs. Through PAININ, MIFAMILIA gained experience in outsourcing these services, a scheme that it subsequently adopted as a strategy for other programs. This experience had the effect of strengthening the PEs, and created a critical mass of suppliers.
- 1.24 The final evaluation of PAININ-1 also underscored the success of the operational scheme in achieving smooth physical-financial execution, and in promoting interinstitutional coordination with the Ministry of Education (MECD), the

¹⁴ It is a requirement of elementary schools that the child have his/her birth certificate – a factor that contributes to children being over age in primary school.

Ministry of Health (MINSA), and within MIFAMILIA.¹⁵ For example, PAININ was a leader in preparing a unique early childhood education curriculum and in developing materials that are now being used in MECD projects and by local and international NGOs. Because of the alliances established through the operational scheme, and the supplementary resources raised by civil society, the project—with disbursements of less than US\$80 per child per year¹⁶—was able to maximize its coverage. Some PAININ projects now operate with resources unrelated to the Bank. PAININ has become a national program and a national policy, and its standards are being extended to other projects.

2. Lessons learned from PAININ-1

- 1.25 Despite these successes, stage-1 monitoring and evaluation identified three main areas in which the program could achieve even greater efficiency: (i) in terms of both equity and effectiveness, it is proposed that, in this stage, PAININ be provided a detailed and transparent targeting protocol that will make it possible to identify localities with high rates of childhood vulnerability; (ii) given the importance of beneficiaries appropriating social programs, a participatory and decentralized process will be promoted for determining PAININ activities in each targeted municipality, while mechanisms for coordination and social control will be strengthened at the local level; and (iii) design aligned with demand and adapted to local needs—as opposed to a single scheme determined centrally with only one partner—will be particularly important in improving the effectiveness and sustainability of the food component.

(i) Targeting

- 1.26 The present operation will implement a targeting protocol with preestablished criteria, including (in addition to age) variables that determine childhood vulnerability and that predict the willingness and capacity of the community to embrace the program. This change is based on the following findings: PAININ-1, by not having precise criteria or resources for targeting, failed to reach the poorest

¹⁵ PAININ is a comprehensive program with a significant degree of technical independence from the oversight ministry, which gives it transparency and flexibility. The first year (1997) coincided with a change in administration following the 1996 elections, and the program established eligibility 11 months after the elections. The operational scheme was changed in order to have a single executing agency, as a result of the creation of MIFAMILIA; originally, the executing agencies consisted of a commission under the Office of the President and FONIF.

¹⁶ *Estimación de costos de PAININ*, Carolina Zúñiga and Soledad Campo, November 2000. This cost does not include food provided by the PMA and reflects the operation of a CICO, without infrastructure rehabilitation. The study estimated that the communities raised an additional amount of between US\$11 and US\$19 per child per year.

population.¹⁷ The mid-term evaluation also found that this lack of targeting had a negative effect on the community's ability to appropriate the program as its own, since in less-poor localities, where parents have alternatives for child care, the level of care was lower and the community participated less in managing and maintaining the Center than was true in poorer localities.

- 1.27 Nevertheless, PAININ's targeting requirements are not as strict as would be the case in a program of direct transfers. PAININ (i) provides interventions with strong positive externalities; thus, universal coverage would be desirable; (ii) it seeks to foster social cohesion and solidarity on children's issues, as part of a strategy for sustainability; and (iii) it attempts to prepare the children to socialize outside the immediate group. In this regard, it would be socially, as well as economically costly and counterproductive to attempt targeting beyond the selection of entire localities. Based on the analysis of the country's poverty profile and the experience gained in the first stage, the targeting of PAININ-2 (described in section 3, p. 25) will involve: (i) concentrating attention on rural areas; (ii) reserving separate funds for the Atlantic Region; (iii) applying a statistical protocol for identifying localities with the greatest concentration of vulnerable children; and (iv) in order to ensure that children in the program graduate from primary school at the appropriate age, the program will not be implemented in localities that have no access to primary education.

(ii) Incentive structure and demand-based orientation

- 1.28 For the second stage, it is proposed that the design for each project be decentralized, based on the different types of care, and be supervised by the municipal children's commissions, with competitive contracting procedures using results-based payment mechanisms that provide an incentive for quality, innovation, and complementary fundraising. This recommendation is based on the observation that in the first stage—in which projects had a single, predetermined design and PEs were paid by recognition of eligible expenditures—there were no incentives to reward the best executing agencies.
- 1.29 In addition to decentralizing the design of each project, the menu of eligible activities will make it possible to: (i) employ a mobile scheme for providing care in more remote areas; (ii) include funds for improving infrastructure and equipment in

¹⁷ The pilot program's approach was based on the care model and on cooperation between the State and civil society. Thus, the design of the operation, despite including a general criterion of poverty, did not specify precise targeting standards or provide resources to apply such standards. Consequently, many CICOs were located in the inner city, while the poorest population in Nicaragua is concentrated more in scattered rural areas. Of the 31 projects in the first stage, only one was carried out in an Atlantic Coast municipality. Poverty is concentrated in rural areas that contain 66% of the poor population and 76% of country's extremely poor population. The Atlantic Coast, as a region, has the highest poverty rates, with 62.6% poor and 29.7% extremely poor, containing 12% of the country's poor and 15.5% of its extremely poor population, though only 9% of the nation's population lives in this region.

the projects;¹⁸ and (iii) stimulate demand, through activities in the projects themselves. This broadening of the model attempts to address the lack of demand for care, particularly for the 0-3 age group, since it was determined that: (i) the demand for care for the youngest children faces cultural barriers: mothers do not recognize the value of early stimulation, are reluctant to entrust the care of their infants to others, and/or are not used to participating in social activities outside the home or beyond their immediate communities; (ii) the institutional modality is not always aligned with the cultural or economic reality of the populations served, especially those living in widely-scattered rural areas; and (iii) providing care for the 0-3 age group requires different and more costly supervision and infrastructure than is true for early childhood education activities.

(iii) Provision of food supplements

- 1.30 While it was established that food supplements provided to children in CICOs had positive effects,¹⁹ the program evaluation identified limitations in the *form* in which these supplements were supplied, with consequent implications on the *impact* and *sustainability* of this intervention. Specifically: (i) the cost of the supplements (assumed by the PMA-4515 program) was high; (ii) the food provided was not appropriate for the 0-2 age group—the most important group for preventing effects of malnutrition; and (iii) the provision of food in most of the communities does not address the true causes of childhood malnutrition, since the food insecurity in the homes is due to lack of *income* or *inadequate food-handling habits*, more than to a lack of availability of food in the local markets. Cognizant of these limitations, the PMA is reorienting its strategy and will begin targeting areas with food insecurity, pregnant and nursing women, and children under 6 years of age, and will also attempt to produce baby food for the youngest children.
- 1.31 With the targeting of infant vulnerability envisaged in PAININ-2, it is anticipated that resources will need to be reserved so that projects can include a food supplement component. However, the three lessons described above will be reflected in the design of PAININ-2 projects (paragraph 2.14), which will seek to establish alliances with *food aid* programs *only where there is a scarcity of food in the area*, provide *monetized strategies for encouraging the use of local foods and for lowering logistical costs*, and continue to place the greatest emphasis on educating parents on appropriate food practices.

¹⁸ These changes are described in paragraphs 2.8, 2.13, and 2.17, respectively.

¹⁹ In PAININ-1, MIFAMILIA provided food supplements for children through an agreement with project PMA-4515, financed by the World Food Program (WFP), which provided rice, beans, corn, sugar, and cooking oil for the CICOs. The focus groups that were held confirm that this supplement provided an incentive for families to send their children to the CICOs, with the resulting benefits in growth and development referred to above.

II. PROGRAM COSTS AND FINANCING

A. Program objectives

- 2.1 The purpose of PAININ is to ensure comprehensive, ongoing care for vulnerable children, from gestation until they enter primary school, in order to break the pattern by which poverty is transmitted from one generation to the next, while improving children's development, health, and nutrition. Thus, the objectives of the proposed operation are: (i) to expand the coverage for care provided through PAININ-1, applying targeting based on childhood vulnerability criteria; (ii) improve the quality of care; and (iii) strengthen the institutional framework for administering, supervising, and financing child care programs.

B. Program structure

- 2.2 The program is to be implemented over a period of three years and will be linked with the Strengthened Poverty Reduction Strategy (ERRP). It will be part of the social protection pillar and will be carried out through a program that targets human capital and strengthens the institutional framework for protecting poor and vulnerable children. The program's strategy is based on a dual approach: first, the contracting of comprehensive child care services through organizations, called participating entities (PEs); and second, strengthening the institutional capacities of MIFAMILIA, PEs, and civil society. Thus, close to 75% of program resources will be earmarked for comprehensive child care, through a process of competitive bidding by PEs.
- 2.3 In accordance with this strategy, the program will finance comprehensive care services, basic investment for adapting/equipping local care centers, technical assistance, training, studies, and social communication campaigns. The program has two main components. The first relates to financing comprehensive care programs for children in targeted municipalities. The second involves institutional strengthening and support in establishing the operational framework needed to carry out program activities and to further the program's institutional objectives. Annex I contains the program's logical framework.

C. Cost and financing

- 2.4 The cost of the program has been estimated at US\$27.780 million. Bank financing, equivalent to US\$25 million will come from the Fund for Special Operations (FSO). Because it is a program aimed at reducing poverty, the Government of Nicaragua has requested that an additional 10% be financed, bringing the Bank's participation to 90% of the total cost of the program. The counterpart will be included in the Ministry of the Family's annual fiscal budget.

Table II-2. Cost and financing (In US\$ 000s)

Category of Expenditures	Total Cost			
	IDB	GON	TOTAL	%
1. Component 1. Municipal Projects for Comprehensive Child Care	18,804	1,555	20,359	73%
1.1 Set of care services	17,187	1,495	18,682	
1.2 Investments	1,073	0	1,073	
1.3 Technical Assistance to Municipal Children's Commissions	544	60	604	
2. Component 2. Operational Framework and Institutional Strengthening	3,996	869	4,865	18%
2.1 Program administration	1,708	566	2,274	8%
2.2 Technical assistance	483	54	537	
2.3 Monitoring and evaluation	795	88	883	
2.4 Social communication and training	1,010	161	1,171	
3. Reimbursement PPF²⁰	1,500	0	1,500	5%
4. External Audits	90	0	90	
5. Financing Costs	610	356	966	3%
5.1 Interest	360	0	360	
5.2 Credit fee	0	356	356	
5.3 Inspection and supervision	250	0	250	
Total	25,000	2,780	27,780	100%
	90%	10%	100%	

- 2.5 The Government of Norway has expressed interest in providing up to US\$3 million to cofinance the second stage of PAININ. Once an agreement is reached between the governments of Nicaragua and Norway, the Bank, in consultation with the two governments, will determine what mechanisms to use in administering the corresponding funds.

D. Description of components

- 1. Component 1. Projects for comprehensive child care in targeted municipalities (US\$ 20,359,000)**
- 2.6 The objective of this component is to expand PAININ's comprehensive care services in a manner that maintains the quality of the services. Through this component, the executing agency would contract participating entities (PEs) to execute projects for the comprehensive care of poor or extremely poor children

²⁰ The table of costs includes US\$1,500 for reimbursement to the Project Preparation Facility, pursuant to letter if agreement 1076/SF-NI chargeable to line of credit FPP/013-NI.

under six years of age within designated, priority municipalities. The anticipated average cost of care is estimated at US\$145 per child per year for this second stage. Thus, the program would reach a goal of caring for 80,000 children in the third year,²¹ representing an increase of 250% over the current coverage. The program's goal is to cover 37% of children under 6 years of age living in extreme poverty. Within this population, it is anticipated that 90% of the children served will be poor and 50% will be extremely poor.

a. Subcomponent 1a. Technical assistance to municipal children's commissions (US\$604,000)

- 2.7 The municipal children's commission (CMN, paragraph 3.8) will be the local mechanism for coordination, consensus and collaboration, and social control of each project. The program will finance promotion, technical assistance and training for the establishment of CMNs, where they do not already exist, and contracting of short-term consulting services to promote the program in the municipalities, using the commission as the local coordinating body.
- 2.8 In order to ensure that the program is aligned with demand, project design will be based on an analysis of needs, and will involve a participatory process. The program will finance contracting of specialized technical assistance services to conduct the analysis and establish the participatory design, with the CMN's participation and appropriation of the final results.
- 2.9 The analysis will contain the following basic elements: (i) identification of the localities to be served, applying the targeting protocol (paragraphs 3.14 and 3.18). Based on the population density and social-cultural characteristics of the municipality, an estimate will be made of the number of children under six years of age and the number of pregnant women who will benefit from the program; (ii) definition of the modality²² to be used in providing the services; (iii) definition of the base level indicators for measuring future performance of PEs; (iv) identification of similar and complementary projects—both social and productive—being implemented in the municipality, with recommendations on alliances that should be established to optimize the use of program and municipal resources; (v) recommendations for establishing and/or including a counterpart in the municipal project, to come from the municipal government, the Ministries of Health and Education, and the communities; and (vi) terms of reference for soliciting tenders for municipal projects. The municipal commission shall endorse the terms of reference, so that the tendering process may then proceed. If this backing is not forthcoming, the municipality will not be eligible to receive program

²¹ This estimate assumes a gradual deployment of municipal projects (see Table II-2, p. 13): in three years, the equivalent of 195%—not 300%—of ultimate coverage was being served. It is anticipated that the care in Atlantic Coast municipalities will be 40% more costly than that in municipalities in the Pacific Region.

²² Through community child care centers or community-based units under the mobile system.

benefits. It is anticipated that resources from PPF 1076/SF-NI will be used to carry out the initial analyses, beginning in July 2001.

b. Subcomponent 1b. comprehensive care (US\$18,682,000)

- 2.10 This component will finance the contracting of a PE in each priority municipality. In order to reflect the geographic distribution of poverty, 14% of the beneficiary children must be from the Atlantic Coast, as detailed in section 3, p. 25, on targeting. Thus, taking into account that per unit costs can be expected to be on the order of 140% of those in the Pacific Region, a minimum 20% of the resources of this care component will be reserved for Atlantic Coast projects.
- 2.11 The contract will cover, in the municipality's targeted locality, the provision of the following interventions directed at mothers and children: (i) early childhood intervention, through training of pregnant and nursing women on child-rearing practices (including nutrition); (ii) referring pregnant women to the health care system for prenatal care—both measures aimed at ensuring that children are born healthy; (iii) early stimulation of development for the 0-3 age group; (iv) early education for the 3-6 age group; (v) monitoring growth and development of children under 6 years of age, including referring them to the health care system; (vi) training and counseling parents on proper child-rearing, nutrition, family hygiene, violence prevention, and reproductive health practices; and (vii) provision of health supplements to children and to pregnant and nursing women. The PE will provide the services under two basic modalities: (i) using the community child care centers; and (ii) using a mobile team that provides services through community-based units. The program's operational guidelines (OR) shall govern the protocols for care for these modalities (paragraph 3.10). The annual estimated coverage goals and the proposed financing scheme are presented in Table II-2.

Table II-2: Comprehensive child care program. Anticipated coverage

Number of Children	Year	2002	2003	2004	Total
By Modality					137,864
Mobile		8,607	26,018	48,000	82,090
Institutional		6,016	24,064	30,080	55,774
By Region		2002	2003	2004	Total
Atlantic		1,509	6,367	12,734	19,610
Pacific		12,991	36,996	67,266	118,254

- 2.12 Resources from this component will also finance activities to encourage the participation of parents, older siblings, and the community in developing and managing the project in the municipality. To this end, the PEs will include, in the contracts, resources for providing training and counseling to young people on education in the areas of life experience, responsible parenting, and gender equality and equity, directly integrating these activities, to the extent possible, with the care

provided to younger siblings. If there are already projects in the municipality with these objectives, the appropriate coordination will be established, in order to avoid duplication of efforts; if such do not exist, the PE will be directly responsible for these activities. Contracts with PEs will also cover efforts to strengthen community organizing, through the forming of parents' committees and networks of facilitators to operate the project in the selected locality.

- 2.13 The PE may provide the services in community child care centers, or through a mobile facility that operates in the CICOs, community-based units, or homes, as determined in the local analysis. Due to the dispersion of the poor rural population, it is estimated that an average of 63% of the population will be served through the mobile method.
- 2.14 The projects will continue to provide food supplements for children ages 0 to 6 years, and for pregnant and nursing women, in order to: (i) reduce malnutrition; (ii) ensure the quality of care, making sure that children are in a physical condition to benefit from the efforts; and (iii) provide incentives for integrating and caring for the children. Notwithstanding the above, to avoid duplication of efforts in existing food or nutrition projects, the participatory design of each municipal project will determine the feasibility of forming an alliance with existing food aid programs in the municipality. This will be done where conditions make it possible to ensure the security of the food supplements, providing monetary resources so that the PE can organize the sale and preparation of food locally or, if necessary, provide in-kind food supplements with resources from PAININ itself. It is estimated that in 30% of cases, PAININ will have to assume the cost of this activity. For reasons of sustainability, and given that the objective is to *supplement*, not to *provide all* food for the children, the resources envisaged in PAININ may not exceed US\$40 per child per year, which amounts to a little more than the extreme poverty gap.²³ In all cases, PAININ projects will educate parents on food, and will encourage the production and use of local food products.
- 2.15 Appropriation of the project by the community is an essential element in the success and sustainability of the program. To this end, efforts will be made to encourage the participation of families, promote comprehensive child care as a unifying issue, and put forth program activities as an instrument for furthering the integral development of the community. Recognizing the importance of community participation, project targeting²⁴ will take into account the willingness and capacity of municipalities and communities to assume an active role in implementing the program. In order for a municipality to become part of the program, the municipal children's commission will be required to make a commitment to apply the

²³ The extreme poverty gap in the country was US\$ 0.16 per capita per day in 1998. The annual figure is calculated based only on working days and for 11 months of the year, i.e., 238 days. The cost per child per year equivalent to the extreme poverty gap would be US\$38.13.

²⁴ (Paragraphs 3.14 and 3.15)

operational guidelines in the municipality, and to participate in designing and approving project specifications, including coordination at the local level and raising of counterpart funds.

- 2.16 In order to promote the quality of care and ensure the efficiency of the investment, the PEs will be selected through a competitive process, to be defined in the program's operational guidelines (paragraph 3.19). In addition, the contract will include a payment mechanism that provides an incentive for meeting the goals for: coverage of care, retention of children in the system, progress in the indicators for the children's growth and development, satisfaction of the users, and referring of pregnant women to the health center, etc. A dual scheme will be used, paying the value of the contract based on the economic proposal negotiated, while also paying a performance incentive if the annual performance goal is met or surpassed. The initial analysis will provide the baseline data, and the contractual terms of reference will include the goals to be met. Both the information system and the monitoring and evaluation system will develop the methodology and instruments to periodically monitor whether goals are being met, allowing PEs to make the appropriate adjustments in the care plan.

c. Subcomponent 1c. Investment (US\$1,073,000)

- 2.17 In order to sustain the quality of care and stimulate community participation, this subcomponent will finance adapting and equipping of facilities in which the care is to be provided. Municipalities participating in the program will initially receive a minimum investment package to begin providing care, and the facilities will be given furniture and basic materials needed to provide proper care to the children. The operational guidelines will establish eligible expenditures for investment in adapting and/or equipping of CICOs and community-based units.
- 2.18 The program will establish a system of incentives for mobilizing local community funds. This system will consist of additional financing equivalent to five times the sum raised by the community, whether in cash or in kind (land, legalization of land parcels, labor, etc.), up to a maximum of US\$25 per child served in CICOs, and up to US\$10 per child served through community-based units. Due to the limited scale of the investments (minor construction and rehabilitation), this component would be executed directly by the community, and the PE would administer the corresponding funds in accordance with PAININ's operational guidelines. Additional financing will be provided at the end of each calendar year, and may only be used for rehabilitation of the infrastructure of CICOs or community-based units, purchase of program-related equipment, or as seed capital for vegetable gardens to supplement food for the children.

2. Component 2. Support for the operational framework and institutional strengthening (US\$4,865,000)

- 2.19 This component seeks to strengthen institutions responsible for child care and to support the operational framework for implementing PAININ. To this end, an attempt will be made during the second stage to deepen the institutionalization process of PAININ as a MIFAMILIA program and lay the foundations for its establishment as an institutional activity that extends beyond the present operation, although on an external basis. Therefore: (i) although administration of the program will be supported with Bank resources, due to insufficient allocations in the Ministry's current budget, the Ministry will provide an increasing proportion of this financing and will include the counterpart for this operation in its fiscal budget beginning in 2001; (ii) during the period of its operation, the Ministry will gradually assign coordinating responsibilities for the program to line positions, as the Ministry's institutional strengthening program (1061/SF-NI) achieves its objectives; and (iii) MIFAMILIA will apply standards for care and contracting developed for this operation in the Ministry's other programs and projects. In this way, the Ministry will benefit from the program's technical assistance.
- 2.20 In addition, this component will finance the development and implementation of operational instruments that provide MIFAMILIA access to information and tools for monitoring, following up, and evaluating child care programs. As a complement to the institutional strengthening of MIFAMILIA, training and social communication activities will be carried out, in order to increase awareness and incorporate civil society organizations in the program, promote technology transfer, and incorporate the lessons learned during the program's execution.

a. Subcomponent 2a. Program administration (US\$2,274,000)

- 2.21 This subcomponent will finance a Program Coordination Unit (PCU) within the Ministry, made up of long-term consultants and counterpart technical experts (the latter with local resources) responsible for coordination and general supervision of the program. There will be some 15 professionals (including ones for the Atlantic Regions). It is also envisaged that financing will provide basic equipment for the operation of the PCU and logistical support needed for the execution of the program. Ministry operating costs associated with the program will be financed by the program on a decreasing basis. The responsibilities of the PCU are described in paragraph 3.3. This subcomponent accounts for only 8% of the program resources.
- 2.22 The PCU will contract specialized firms to oversee the performance of the PEs, as indicated in paragraph 3.24. However, in the case of the Atlantic Regions, since it is important to encourage local stakeholders and authorities to appropriate the program, responsibility for promoting and supervising the program should be assigned to the respective regional governments. This arrangement will remain in place until the program gains visibility and acceptance in the region, and until the

local private sector has the capacity to assume these functions. This scheme has the additional advantage of reducing logistical costs compared to the cost of carrying out such tasks from Managua. Also, communication is difficult between the capital and the Atlantic Regions. It is important that the program structure have a presence in the two regions, in order to establish greater closeness and coordination with regional participants. During the first 24 months of execution, this component will finance the contracting of two to three professionals in the regional technical units of the regional governments,²⁵ who will promote the program and oversee contracting and supervision of the initial projects in the region. These professionals must reside in Puerto Cabezas and Bluefields, respectively and, preferably, be natives of these regions.

b. Subcomponent 2b. Technical assistance and monitoring and evaluation systems (US\$1,420,000)

- 2.23 This subcomponent will finance the design and implementation of instruments to ensure improvement in the quality of care. Technical assistance will be provided in establishing systems for: (i) targeting; (ii) administrative information; and (iii) monitoring and evaluation.
- 2.24 In order to institute a system of targeting, the program will finance short-term contracting for implementing the targeting protocol at the regional level, based on the design created with technical cooperation resources ATN/SF-7234-NI. During the first half of the implementation period, the targeting system will be reviewed, and methodological and operational criteria for a system to select beneficiaries will be defined. At the conclusion of the program, an evaluation of these systems will be conducted.
- 2.25 A proposal to simplify the administrative information system and adjust the monitoring methodology is being prepared with resources from PPF 1076/SF-NI. These systems will make it possible to monitor the physical and financial progress of the operation, as well as the performance of the PEs, using financial-administrative indicators. In addition, it will monitor the coverage of beneficiaries and effects on the growth and development of the children, as well as the satisfaction of the beneficiaries. The loan will finance the design of information systems, procurement of computer programs and equipment, and design and implementation of a geographic information system to aid in planning and evaluation. The information system shall be compatible with the Child and Adolescent Information System (SINAN) being developed by CONAPINA.²⁶ The PCU will periodically send the council reports generated by the information systems and by the monitoring and evaluation system.

²⁵ Those units were created with resources from the Atlantic Coast Local Development Program, loan 1051/SF-NI.

²⁶ SINAN's child care module will be supervised by MIFAMILIA.

- 2.26 The PCU will use resources from this subcomponent to contract specialized firms to supervise, in the field, performance of PEs with regard to technical and administrative-financial aspects. This supervision will be carried out pursuant to service provision contracts, based on PAININ's operational guidelines (Paragraph 3.24).
- 2.27 Pursuant to the ERRP, the program will have an integrated monitoring and evaluation system (MES), one of whose essential features will be the ability to carry out monitoring during the actual implementation of the program, making it possible to measure the impact on the growth and development of the children, and the impact on women and on local development. It will also gauge the efficiency of the targeting, and the functionality, cost-effectiveness, and sustainability of the program. Tentative goals and indicators are detailed in Table III-1, p. 31. In order to maintain the objectivity of the evaluation, an outside firm will be responsible for the design and operation of the monitoring and evaluation system (MES). During the operation of the system, the firm will implement activities and strategies to ensure that the Ministry of the Family and the SSF Coordinating Council adopt the monitoring and evaluation system's methodology, instruments, and procedures.
- 2.28 Starting in May of this year, a firm will be hired to develop the design the MES in an initial stage, using resources from PPF 1076/SF-NI. This will incorporate qualitative and quantitative aspects and will include establishing a baseline—making comparisons with the control groups—and preparing a mid-term and final evaluation of the operation. To this end, the design of studies on specific topics could be included. The indicators and the variables to be evaluated should be consistent with the ERRP evaluation framework and with the information system on children and adolescents. The firm's activities would be included in the program's operational guidelines and be approved by the SSF coordinating council, which would also be responsible for monitoring priority or comprehensive programs included in the ERRP.
- 2.29 Given that this will be the first experience in expanding PAININ to the Atlantic Coast, the program in that region will be experimental in nature, emphasizing the identification of cost-effective methods of care adapted to the cultural and socioeconomic reality of the region. PAININ's performance in this region will be reviewed through the mid-term evaluation, particularly in order to adjust the proportion of resources reserved for the Atlantic Coast, as necessary. The final evaluation will devote specific attention to the lessons learned in the Atlantic Region.

**c. Subcomponent 2c. Social communication and training
(US\$1,172,000)**

- 2.30 Financing will be provided for the design and execution, by outside consultants, of a systematic training plan. This will be directed at the PEs and children's

commissions, as well as at technical staff in the Ministry involved in the program's operational framework, and will encompass aspects of management, standards of care, and participatory techniques, with these three issues being applied to PAININ's development needs. The contents of the training will be consistent with the gender perspective promoted by the program.

- 2.31 In order to promote demand and strengthen social control, the design of a strategic plan for social communication, involving activities to disseminate the scope, standards, benefits, and results of the program will be included. This will also detail the lessons learned during implementation. Resources from this subcomponent will finance consulting services to implement a systematic plan for communication and for promoting demand, the design of which is envisaged in the PPF. In a complementary fashion, this subcomponent will finance activities oriented to strengthening social control and participation, in order to incorporate civil society in program administration and supervision.
- 2.32 Loan conditions are detailed in the following table.

Repayment period:	40 years
Grace period:	10 years
Disbursement period :	42 months (3 ½ years)
Interest rate:	1% per year during the first 10 years; 2% per year from that date forward
Inspection and supervision:	1% of the amount of the loan
Credit fee:	0.50% annually on the undisbursed balance of the loan

III. PROGRAM EXECUTION

A. Borrower and executing agency

- 3.1 The borrower is the Republic of Nicaragua. MIFAMILIA is the executing agency, acting through the Program Coordination Unit (PCU) at the central level. Pursuant to the model for modernization of the Ministry, project implementation will be supervised by civil society organizations and participating entities, which will be hired by the Ministry and will serve as the executing agencies at the municipal level. The implementation period for the program would be three years, with a disbursement period of 3½ years (42 months). Due to the comprehensive nature of the program, the need for coordination between sectors, and the importance of citizen participation, the institutional scheme includes three types of entities—some actual executing agencies, others serving as mechanisms for coordination or social control.

B. Institutional scheme

1. Executing entities of the program

- 3.2 The implementation of the program is intended to aid in the institutional strengthening of MIFAMILIA's role as funder, regulator, and administrator of the care provided. Thus, during the execution of stage two of PAININ, the Ministry will receive technical support from the PCU and from hired consultants, in order to achieve the effective technology transfer and the program's institutional sustainability. At the central level, the PCU will be maintained within the Ministry and will report to its senior officials. The PCU will include counterpart technical experts appointed by it, as well as long-term consultants hired by the operation, under the supervision of the program director. There will also be a technical staff (4 professionals), a planning and operations staff (5 professionals) and an administrative-financial staff (4 professionals). **Any change in program director must receive the prior nonobjection of the Bank.**
- 3.3 The PCU will plan and coordinate PAININ execution, ensuring compliance with contractual conditions and application of program standards. The PCU shall: (i) carry out planning by region (Pacific, RAAN, and RAAS), opening subaccounts in the accounting record for each region; (ii) oversee the process of tendering for projects, ultimately making the recommendation on awarding projects to PEs, so that they may be hired by the Ministry; (iii) promote and coordinate a training plan for PEs and institutional counterparts, as well as a social communication plan, which will be implemented jointly in an externalized form; (iv) ensure appropriate technical, administrative, and financial monitoring and follow-up of the program; and (v) arrange for the program evaluation, which will be carried out by an outside firm.

- 3.4 PEs will be hired by the Ministry, with technical recommendations from the PCU for executing projects in the municipalities. Any contracting shall obtain the prior nonobjection of the Bank. The required qualifications for PEs is detailed in paragraph 3.19.
- 3.5 Promotion and supervision of the projects would be regionally deconcentrated, and the PCU would be assisted locally by specialized firms. Nevertheless, during the first 24 months of execution, in order to ensure the appropriation of the program by local stakeholders in the Atlantic Regions (paragraph 2.22), these functions will be carried out by regional technical units of the regional governments²⁷ (RAAN and RAAS), using resources from this operation and applying its standards for selection and execution. At the end of that period, the general scheme for outside contracting will be followed.

2. Program-ERRP coordination within the SSF

- 3.6 The government requested use of the Supplementary Social Fund (SSF) mechanism, described in paragraph 1.15, and asked that responsibility for the program's intersectoral coordination and monitoring be assigned to this mechanism. Such an approach is consistent with the ERRP, which identifies the SSF as the primary mechanism for carrying out coordination and fundraising for priority programs involved in implementing the strategy. PAININ, because of its approach and its comprehensive nature, requires high-level intersectoral coordination. The SSF mechanism offers many advantages for facilitating PAININ's central coordination, including the following: (i) a coordinating council (CC) made up of: the Technical Secretariat of the Office of the President, the Ministry of the Treasury, MINSA, MECD, the Ministry of Agriculture, a representative of the National Council for Economic and Social Planning (CONPES), and a delegate from the donors; this CC coordinates standards for comprehensive programs; (ii) technical committees (TCs) made up of line technicians from the Ministries belonging to the Fund. The TCs coordinate the operational plans of the SSF agenda, ensuring optimal use of resources and dissemination of good practices; (iii) the TCs also have accumulated accounting capacity and a computerized system of impact and cost-effectiveness indicators; (iv) visibility with donors, in order to raise additional soft funds; and (v) prioritizing of its agenda to gain financing with resources from potential debt forgiveness (SSF health and education programs, and Social Protection Networks).
- 3.7 As executing agency, the SSF coordinating council shall hold periodic meetings with MIFAMILIA, for the purpose of coordinating standards and monitoring PAININ. This will make it possible for the CC to replace the technical committee that was responsible for monitoring in PAININ-1, since it will be comprised of the

²⁷ These units were created with resources from the Atlantic Coast Local Development Program, 1051/SF-NI.

same individuals. In particular, the CC would, in an initial session, approve PAININ's operational guidelines and the general scheme for program monitoring and evaluation, as part of the ERRP program. The SSF technical committees on health and education would have the same liaison role between the technical staff and the officials at the ministries involved, in order to ensure operational monitoring of the program and arrange—in consultation with the PCU—the meetings of the CC.

3. Local coordination and social control entities

- 3.8 In order to ensure the appropriation of the program by its beneficiaries, the execution scheme incorporates mechanisms that allow for dialogue between the beneficiaries and the executing agency (paragraph 2.27). There will also be mechanisms for strengthening civil society's capacity for control and auditing to ensure that program resources are allocated in a transparent manner and that the intended goals and results are achieved. To this end, coordination is envisaged at several levels: (i) at the municipal level, the children's commission will be the local body for promotion and coordination. Its role will be to represent the communities in administering PAININ projects in the municipality, while overseeing coordination with other similar or complementary projects. The hired PE shall meet with the municipal commission at least quarterly to report on the project's progress. The PE will also organize activities to disseminate the program through the commission; and (ii) at the community level, the parents' committees—as in the first stage—will be responsible for social audits and for liaison between the beneficiaries and the project. In both bodies, the program's system for social communication will foster gender balance, an issue that will be pursued through the monitoring system.

C. Standards of execution

1. Operating Regulations

- 3.9 The draft Operating Regulations (OR) shall be submitted to the Bank prior to the meeting of the Loan Committee and before the meeting of the Board of Executive Directors, the Bank will be presented with the version negotiated with the Bank and approved by the SSF. This OR shall govern the program's implementation, reflecting its purpose and objectives. It shall specify implementation mechanisms, standards and protocols for care, and include a list of pre-identified municipalities. The OR will formalize and systematize PAININ's mechanisms for coordination with other programs, addressing regulatory issues at the central level, and operational issues at the municipal and local levels. It will develop: content on issues such as the protocol for targeting, in order to measure the community's capacity for organizing and participation; indicators to be used for supervision, monitoring and evaluation of the project; competitive procedures for selecting and contracting PEs; and eligibility criteria for expenditures directed at adapting and/or

equipping CICOs and community-based units. In regard to care standards, the OR will systematize the experience of the first stage, in coordination with the Ministries of Education and Health. Thus, early childhood education will conform to the national curriculum prepared in 1999 with PAININ's participation, using the "Multilevel Guide" for teaching, along with materials prepared during the first stage. In order to promote and oversee the growth and development of the children, the Ministry of Health's "Manual for the comprehensive care of community children" and the Clapp scale for stimulation and monitoring of child development and psycho-motor skills will remain in use. Using resources from PPF 1076/SF-NI, consulting services of an expert on gender are being hired for the duration of the PPF, to ensure that this perspective, as well as the materials for disseminating the program, are integrated with the care standards.

2. Menu of types of care

- 3.10 The different types of care that the PEs provide will be adapted to the specific needs of the municipality, and will be governed by the provisions of the OR. These types of care will, at a minimum, include: (i) training on child-rearing practices, nursing, and nutrition for pregnant and nursing women; (ii) early stimulation of development for children from 0-3 years of age; (iii) early education for the 3-6-year-old age group; (iv) monitoring of the growth and development of children under 6 years of age, including referring them to the health system; (v) training and counseling for parents on proper child-rearing practices, nutrition, family hygiene, violence prevention, and reproductive health; (vi) provision of food supplements for children and for pregnant and nursing women; and (vii) referring pregnant women to the health system for prenatal examinations.

3. Targeting criteria and mechanisms

- 3.11 **General targeting principles.** In order to ensure that resource allocation reflects the fact that 14% of Nicaragua's poor and 18% of its extremely poor live in the Atlantic Autonomous Regions, 14% of PAININ's beneficiaries shall be children from these regions. However, since it is anticipated that the cost of care will be 40% higher for the Atlantic Coast Regions than for the rest of the country, 20% of the resources to finance municipal projects will be reserved for Atlantic Coast municipalities (paragraph 3.31). Even in this scenario, it will only be possible to meet a small proportion of the region's needs. Thus, it would be advisable to limit the number of projects and place them in municipalities that are close together, in order to lower the costs and facilitate monitoring.
- 3.12 A protocol for targeting has been designed, based on an analysis of Nicaragua's poverty profile, using statistical methods and data from the Standard of Living Survey of 1998 and from the National Population Census of 1995. The model seeks to identify the geographic areas with the highest concentration of vulnerable children, to which public resources should be allocated on a priority basis, while

recognizing that the country will be unable to achieve the ideal of universal coverage. Targeting also includes an age variable, in order to ensure that PAININ children graduate at the appropriate age from primary school. At the same time, this protocol includes variables that measure the capacity and potential of a community to participate in the program and to access basic services not envisaged in PAININ. The latter analysis attempts to ensure a rational use of resources, since these factors are exogenous causes of the program's success or failure. Childhood vulnerability has been defined as the probability that children will exhibit lags in development and will not receive early stimulation. The protocol applies to three stages, which are described below.²⁸

- 3.13 **Eligibility of municipalities.** The first stage lists municipalities in order, based on an index measuring the degree of childhood vulnerability—in both intensity and extent. Analyzing data from the Standard of Living Survey, an attempt was made to identify the variables most determinative in regard to the two criteria for vulnerability cited above.²⁹ Combined with observations of these same variables in the Census, a statistical model was used to estimate a rating of childhood vulnerability for each municipality. This rating, corrected by an extra-cost factor for the Atlantic Coast, will assist in defining a funding ceiling for each program in a given municipality. The rating is standardized; thus, the municipality with the highest degree of vulnerability will have a rating of 100, while the lowest will have a rating of 0. Only municipalities with a rating above 60 points will be eligible for PAININ projects.
- 3.14 **Eligibility of localities.** The second and third stages of the targeting protocol will be applied only in eligible municipalities and will identify localities to be served. The second stage will provide a new ordering of the localities within a municipality, based on whether they have a high degree of childhood vulnerability—eliminating, at that point, localities with high population density, as well as those without access to safe water, health services, and primary schooling, all of which have been identified as exogenous factors. The second stage of the protocol will be applied by the National Institute of Statistics and Census, using data from the census, MINSA and MECD, as PAININ expands its presence in municipalities. In localities that have not been eliminated in the previous stage, the consultant responsible for the analysis of the municipality will use the protocol to assess the organizational and participatory capacity of the community, under PCU supervision.

²⁸ For the complete targeting protocol, see the Targeting Protocol in the technical archives of this program. During the design of the project, stage 1 of the protocol was implemented, and the requirements for implementing stages 2 and 3 were designed, as PAININ continued to extend its coverage of municipalities.

²⁹ Among 17 variables in the model, those with the greatest predictive power are the percentage of children under 12 years of age in the home, and the education of the mother.

- 3.15 In order to be *selected*, a municipality must meet the following conditions: (i) it must be pre-identified in the first stage of the targeting protocol; (ii) resources reserved for its macro region (Pacific or Atlantic) must not have been committed; (iii) it must request, through its municipal children's commission (MCC), that PAININ be implemented in its territory; (iv) the MCC, including civil society representatives, must formally approve the operational guidelines and, in particular, must participate in the analysis and endorse the terms of reference that emerge from that process; and (v) the MCC must secure the municipality's support for the program, establish a place for periodic meetings between the commission and the PE, and provide the children referred by PAININ with free birth certificates.

4. Project cycle

(i) Project preparation

- 3.16 The PCU shall carry out a dissemination campaign directed at the public, municipal authorities, and health and (in particular) education delegates in pre-identified municipalities.
- 3.17 In municipalities that have so requested, the PCU shall verify whether there are funds available for a municipality, based on the region, and if such funds exist, it shall apply the second stage of the targeting protocol in order to establish a list of priority localities.
- 3.18 The executing agency shall have short-term consultants carry out the participatory design of the project to provide care to the municipality. The analysis shall identify localities to be served by applying the targeting protocol (paragraph 3.12), estimate the number of pregnant women and children under 6 years of age in the given localities, and the mix of types of care (CICOs or mobile), based on the population density and sociocultural characteristics of the municipality. It shall also establish base levels for indicators measuring performance of PEs (paragraph 2.16). The analysis shall also identify similar and complementary social or productive projects that exist in the municipality, and recommend alliances that should be established to optimize the use of PAININ resources in the municipality. Finally, the analysis shall recommend the inclusion of a municipal-project counterpart to be provided by the municipal government, the Ministries of Health and Education, and the communities. Lastly, the study shall prepare the terms of reference for soliciting tenders on the municipal project. The municipal commission shall endorse the terms of reference before proceeding to the tendering process. If this endorsement is not forthcoming, the municipality shall not be eligible to receive program benefits. The initial analyses will be carried out with PPF 1076/SF-NI resources, beginning in July 2001.

(ii) Tendering process for projects

- 3.19 For tendering on care-providing projects, the Ministry of the Family shall issue an international prequalification call to organizations and teams of professionals interested in offering their services as participating entities. The initial prequalification process shall be carried out with PPF 1076/SF-NI resources, beginning in July of this year. Prequalification criteria include: (i) demonstrable experience in implementing social projects; and (ii) sufficient administrative and financial capacity to enter into a potential services contract. Only prequalified organizations shall be invited to present offers, as projects come up for bid, municipality by municipality. The prequalification process shall be repeated each year during the execution of the program.
- 3.20 The PCU shall invite bids for the execution of projects, by municipality. The invitation to provide services shall be made based on the estimated amount of the municipal project being considered. Invitations will call for providers prequalified on the basis of their financial capacity, under terms, and engaging in publicity consistent with Bank policies, as detailed in the Annexes of the loan contract, and pursuant to the State Contracting Law (Law 323-2000). In accordance with Bank policies, the selection criteria shall take into consideration quality and price only, and shall include: (i) the PE's capacity to cover the entire target population; (ii) the inclusion of local personnel to provide care in the localities; (iii) the economic proposal for care; and (iv) the use of innovations in the organization and service-provision model. Consultants hired to design a municipal project shall not be eligible to offer their services as participating entities.

(iii) Execution of the projects

- 3.21 Participating entities shall provide care services pursuant to the provisions of their contract, applying standards and procedures—technical (related to care and training), administrative, accounting, and financial—as detailed in the program's operational guidelines.³⁰ PEs' contracts shall provide for payments based on results (based on a preestablished subsidy per child/woman served), not by recognition of expenditures. However, in order to encourage an economical use of resources and to record information on the costs of each project, PEs shall establish and maintain accounts, employing a uniform structure for all projects, and records, in accordance with accepted accounting practices. The PEs shall also establish internal control mechanisms to ensure compliance with the operational guidelines. Accounting for the projects shall be audited quarterly on an ex post basis by independent auditors, and the preestablished subsidy shall be reviewed if a discrepancy of more than 15% is found between the accounts and the real unit costs of the PE.

³⁰ As entities hired from the private sector, PEs will not be subject to Law 323 in purchases and procurements made with resources from their contracts.

D. Project preparation facility

- 3.22 The Ministry may promote priority activities prior to the first disbursement, using resources from an individual PPF 1076/SF-NI operation, approved for an amount of US\$1.5 million. These resources will be used to: finance the provision of services for care in selected municipalities, design strategies to strengthen the technical and organizational capacity of future PEs, develop the program's regulatory framework, design prequalification systems for the projects, redesign the administrative information system, apply the targeting system at the regional level, and design the strategic plan for dissemination and social communication of the program. The full-time consulting services of an expert shall also be hired for the duration of the PPF to integrate the gender perspective in the program's work plan and materials. This entire set of activities is designed to provide the basic instruments for implementing the program.

E. Monitoring and evaluation

1. Program orientation workshop

- 3.23 Within two months from the date the operation is declared eligible, the borrower shall organize a program orientation workshop, with the Bank's support. Workshop participants will include management teams from the Ministries of the Family, Health, and Education (central and regional levels), and technical teams from the PCU. The content, length, and scope of the workshop shall be agreed with the Bank prior to the first disbursement. This activity shall be financed with funding resources from the Bank.

2. System of supervision

- 3.24 The PCU shall contract the services of specialized firms in each region, which, simultaneous with the execution of the projects, will verify: (i) compliance with the standards and procedures agreed in their contracts and those contained in the operational guidelines; (ii) the scope, as regards coverage goals, quality, and financing envisaged in their contracts; and (iii) the actual provision of services to beneficiaries. However, during the first 24 months of execution, in order to ensure a smooth start for the program in Atlantic Region municipalities (paragraph 2.22), these functions shall be carried out by regional technical units of the regional governments³¹ (RAAN and RAAS), using the operation's resources and applying its selection and execution standards. At the conclusion of this period, the general scheme for outside contracting will be followed.

³¹ Those units were created with resources from the Atlantic Coast Local Development Program, 1051/SF-NI.

3. Monitoring and evaluation system

- 3.25 During the implementation of the Program, the Ministry shall be assisted by an outside firm responsible for design and operation of the monitoring and evaluation system (MES). On the basis of pre-determined criteria, the firm shall carry out periodic evaluations of: (i) the scope of the goals for coverage, quality, and financing envisaged for the program; (ii) the actual provision of services to beneficiaries, pursuant to the operational guidelines; (iii) measurement of results and of impact on the growth and development of the children, on women, on conditions in the family, and on local skills and development; (iv) the effectiveness of the targeting, as well as the functionality, cost-effectiveness, and sustainability of the program; and (v) the possibility of expanding cost-effective coverage in the Atlantic Coast Region.

4. Mid-term evaluation

- 3.26 The mid-term evaluation shall focus on: meeting the check points in the program's execution, coverage goals, implementation of support systems, efficacy of the operational scheme (particularly based on quality of results and on the satisfaction of the beneficiaries), program visibility, and MIFAMILIA's institutionalization of the program. The program's performance on the Atlantic Coast shall also be reviewed; if necessary, a review of the distribution of resources among the regions indicated in this document could be carried out.

5. Final evaluation

- 3.27 The final evaluation shall include an assessment of the program's impact and cost-effectiveness. The following impact variables have been identified, on a preliminary basis, to serve in gauging changes, from the baseline, at the end of the program, in the beneficiary localities, as compared with the control groups: (i) first-grade enrolment in beneficiary localities; (ii) rates of severe childhood malnutrition; (iii) percentage of children with normal rates of affective and psychosocial development (based on language skills, fine and gross motor activity, and social affect); and (iv) rates of violence within the family and in the neighborhood. Table III-1, below, details indicators and tentative goals for program evaluation. However, the firm responsible for conducting the evaluation may propose changes in these indicators or suggest additional variables for consideration.

Table III-1 Indicators and tentative goals for evaluation		
Area to be evaluated	Variables	Ultimate program goals
Effectiveness of the operational framework	Coverage of the projects	50,000 children covered at the time of mid-term evaluation and 80,000 children at the conclusion of the operation.
	Length of the project cycle	The period between contracting the participatory design and contracting the PE in a municipality does not exceed 4 months for projects hired in the second and third year.
	Coordination with similar and complementary projects	Through alliances with other projects and with the municipal government, municipal commissions obtain additional resources for PAININ, representing at least 10% of the operation's resources.
Effectiveness of the targeting	Level of poverty of children served by PAININ	The proportion of children served who come from households that are not poor does not exceed 15%.
		At least 20% of the children served come from households in extreme poverty.
Impact on children	Weight of children served, according to age	The proportion of children with normal weight curves for their age at the conclusion of the program has increased by 5 percentage points over the control group.
	Achievements in developmental behaviors (motor skills, affect, language) of children served	The proportion of children exhibiting a normal rate of development has increased by 5 percentage points over the control group. Rates calculated based on MINSA's Clapp scale of developmental behavior by age.
	First grade (elementary school) enrolment of children who have graduated from PAININ	The proportion of children graduating from PAININ who enrol in first grade at the appropriate age exceeds by 10 percentage points the proportion in the control group.
	Coverage of preventive health care	The proportion of children from PAININ who have received all of their vaccinations exceeds by 20 percentage points the proportion in the control group.
Impact on women	Welfare of women	Proportion of pregnant women served by PAININ who received at least 2 prenatal examinations exceeds by 15 percentage points the proportion in the control group.
	Economic and social opportunities for young women	The average age of first pregnancies in the localities served increases by 12 months compared to the control group by the end of the project.
Impact on family and community	Rate of violence within the family	Rate and goal to be defined by the firm carrying out the evaluation, based on surveys of intervention and control groups.
	Local counterpart mobilized (contributions from communities)	Projects receive contributions from the community, representing, on average, 5% of the operation's resources.
Satisfaction of beneficiaries	Demand for comprehensive care services	Demand for PAININ services increased by 15 percentage points in localities served, over the control group, by the end of the program.
	Beneficiaries' perception of the quality of services	At least 80% of beneficiaries express their satisfaction with the quality of services received.

6. Reports

- 3.28 The executing agency shall deliver to the Bank semiannual progress reports within 30 days after the beginning of each semiannual period. They shall obtain the approval of the SSF coordinating council prior to submitting the reports to the Bank. Reports shall include progress, based on execution check-points presented in Table II-2, and contained in the program's logical framework and in the plans approved by the SSF an analysis by component of the extent of compliance during the six-month period under review and the financial data for project execution broken down by source of financing and by category as listed in the table of costs. They shall focus on identifying obstacles encountered during implementation, recommendations to overcome them, and financial execution. Once approved by the SSF, these reports shall be shared with the National Council for the Care and Protection of Children and Adolescents (CONAPINA).

F. Other aspects of execution

1. Conditions precedent to the first disbursement

- 3.29 The executing agency shall present to the Bank evidence that the program's operational guidelines have officially entered into force.
- 3.30 In order to ensure the integrity of the program evaluation, the executing agency shall present, to the Bank's satisfaction, a report by the consulting firm in charge of the evaluation setting out the data for the baseline data successfully gathered prior to the first disbursement for component 1, "Projects for Comprehensive Child Care in Targeted Municipalities."

2. Special conditions

- 3.31 Once 80% of the resources budgeted for Pacific Region municipalities have been committed, projects in that region will no longer be eligible for financing by the operation. In order to fulfill this contractual condition, the executing agency shall report the proportion of resources obligated for the Atlantic Coast and Pacific Regions at the time the Bank's nonobjection is requested for soliciting tenders for new municipal projects.
- 3.32 The executing agency shall present to the Bank the mid-term evaluation report no later than 20 months after the operation is officially in operation, and the final evaluation report no later than 36 months from the same date.

3. Procurement of goods and services

- 3.33 Policies of the Bank and of the country regarding procurement will be observed in all respects. Pursuant to these policies, calls for international competitive bidding shall be mandatory for contracting of consulting services when the cost is estimated

to exceed US\$200,000, and for the purchase of goods and the contracting of related services whose total estimated amount exceeds US\$250,000.

- 3.34 In selecting consultants for subcomponents 1.b, 2.b, and 2.c, , the executing agency shall, subject to the Bank's nonobjection, use an evaluation methodology based on quality and cost. In all cases, the cost criteria may not represent more than twenty percent (20%) of the total assessment.
- 3.35 As specified in 3.19, for the contracting of care services in municipal projects, the Ministry of the Family shall issue an annual international prequalification call to organizations and teams of professionals interested in offering their services as participating entities.

Table III-2. Procurement and contracting procedures		
Goods	Comprehensive care services	Consulting services
More than US\$250,000 ICB	More than US\$250,000 ICB With prequalification	More than US\$200,000 ICB With prequalification
Between US\$50,000 and US\$250,000 NCB	Between US\$50,000 and US\$200,000 NCB With prequalification	Between US\$50,000 and US\$200,000 NCB
Less than US\$50,000 PC	Less than US\$50,000 PC With prequalification	Less than US\$50,000 PC

ICB: International competitive bidding

NCB: National competitive bidding

PC: Price shopping

4. Disbursement schedule

Table III-3. Disbursement schedule (in US\$ 000s)

SOURCE	Year 1	Year 2	Year 3	Total
IDB	3,683	9,908	11,409	25,000
Local Contribution	417	1,040	1,324	2,780
Total	4,099	10,948	12,733	27,780
%	15%	39%	46%	

5. Disbursements and Revolving Fund

- 3.36 Funding resources shall be deposited, through the Central Bank of Nicaragua, in a separate account of the Ministry of the Family dedicated exclusively to program execution. Counterpart monetary resources shall also be deposited in a separate account of the Ministry exclusively for program purposes. These accounts will be

used to make payments to contractors and providers, and to PEs, since the latter are hired as service providers by MIFAMILIA and are to be paid on the basis of results.

- 3.37 For the smooth execution of the program, and taking into consideration that numerous service-provision contracts will come due at the conclusion of the operation, it is recommended that a revolving fund of up to 5% of the amount of the financing be established, pursuant to the Bank's policies in this regard.

6. External Audit

- 3.38 The PCU shall present to the Bank, within 60 days from the close of each 6-month period, an audit report on the execution of component 1 projects that includes the results of an examination of the ex-post review of disbursements and procurements from this component, pursuant to the terms of reference agreed with the Bank. The Ministry of the Family shall also present to the Bank annually, within 120 days from the close of the fiscal year, the program's financial statements, audited by an independent auditing firm acceptable to the Bank and consistent with Bank requirements. This activity shall be financed with Bank resources.

IV. VIABILITY AND RISKS

A. Viability

1. Technical viability

4.1 The success of PAININ-1 is the clearest indication of the technical viability of this program. The standards for care envisaged by the Ministries of Health and Education were demonstrated in the first stage of PAININ. The new modality of delivery envisaged in this second stage does not require greater technical expertise on the part of the executing agencies. Furthermore, extensive experience in social mobilization in the rural areas of Nicaragua, in connection with health and literacy campaigns, suggests that there will be considerable demand for the mobile form of providing care, that it will be widely accepted, and that there will be a critical mass of executing entities interested in carrying out the services. A similar model of “Comprehensive Child Care in the Community,” in Honduras, has been highly successful in reducing childhood malnutrition. It is expected that this project will be studied by officials from MIFAMILIA and by representatives of coordinating NGOs.

4.2 Experiments are also being carried out, with the Bank’s support—in the health component, through the social protection network, and at FONMAT, a component of the Care Network’s modernization program—concerning competitive processes for selecting executing agencies and payment schemes to provide incentives for the quality of supply. In regard to supply, there has been a positive response to both programs. Moreover, resources from this operation, as well as from TC-01-02-03-4, currently in the identification phase, will be directed at strengthening PEs’ technical capacity to implement PAININ and at strengthening their institutional capacity to participate in the competitive, formal contracting scheme envisaged herein.

2. Institutional viability

4.3 The proposed execution scheme is a simplification of that of the first stage, since: (i) numerous cooperation agreements will be replaced by a single set of operational guidelines approved at the highest level, defining standards and responsibilities that are easier to supervise; (ii) the mechanisms and installed capacity of the SSF will be utilized, in place of the monitoring committee of the first stage, which had three additional members; and (iii) this scheme distributes responsibilities for execution, recognizing the specialized roles and authority conferred by law.

3. Sustainability

4.4 The **financial** sustainability of this operation as a social protection program entails a commitment of public funds to cover the operating costs of programs targeting a

socio-demographic group that is not self-sufficient. This operation, unlike loan 1061/SF-NI for the strengthening of the Ministry of the Family, will not finance recurring costs of the institution itself, but rather will fund consulting services for PAININ, limited to the period of execution of the loan.

- 4.5 The Government of Nicaragua is preparing a policy letter restating the commitment expressed in the ERRP, which gives PAININ priority as a government social protection program.³² Based on the fiscal impact analysis now in progress, this letter will also examine methods of ensuring that the technical personnel that are needed for the continuity of the program under MIFAMILIA's budget will be taken on, and that fiscal resources will be mobilized—or other resources found—for the program. As a result of the program itself, it is anticipated that there will be increased community organizing on children's issues, thus solidifying the ERRP commitment within society itself. It is expected that donated resources will be found for the program, through the SSF and from the PEs themselves, as occurred in PAININ-1—while the country's macroeconomic situation is improving.
- 4.6 The operation is expected to provide permanent **economic** benefits. It is anticipated that the children served will have improved nutrition and health and that they will be better prepared to learn, something that will affect them *for their entire lives*. It has been demonstrated that with each year of child care, there is an improvement in school performance and in the future (adult) income level of the participant, and that parents with more schooling invest more in the human capital of their children, thus breaking the intergenerational transmission of poverty. Moreover, while the program entails an increase in spending for early child care, it has been proved that—five years out—this investment produces savings in primary education by reducing school drop-out and the need to repeat grades.

B. Benefits

- 4.7 PAININ is expected to produce the following benefits: (i) provide better preparation of poor children to enter and remain in school, avoiding the learning deficiencies typical of these children in primary school; (ii) improve the economic situation of the family, by making it possible for mothers with children who are being cared for by the program to work, and providing local opportunities for facilitators (mostly women) to acquire training and gain access to income; (iii) provide gender equity: since PAININ includes counseling and training for young adults, there is expected to be an increase in the age of first pregnancies and higher rates of school attendance among girls, giving them greater access to knowledge and skills helpful in raising their future offspring; and (iv) increase social equity: the system of targeting will ensure that an equitable proportion of

³² See *Estrategia Reforzada de Reducción de la Pobreza*, paragraphs 174-178. Government of Nicaragua, Managua, August 2000.

resources benefits the Atlantic Coast, while the participatory nature of project designs will incorporate the social and cultural reality of the groups served.

- 4.8 This operation qualifies as a project that promotes social equity, as described in the key objectives for Bank activities contained in the report on the Eighth Replenishment (document AB-1704). This operation also qualifies as a poverty reduction program (PTI). The justification of this classification is automatic, since the project falls within the following sectors: care for children at risk, with a comprehensive approach that provides early, preschool stimulation and primary health care. The project specifies explicit performance indicators to measure poverty reduction and improvements in social equity (see Table III-1).

C. Risks

- 4.9 One major risk is the electoral calendar, which involves a change of administration at the beginning of the execution of PAININ-2. However, the fact that PAININ falls within the ERRP mitigates this risk, since the latter enjoys broad acceptance as a national policy, given the consultative process that was involved in its preparation. The issue of children proved to have a unifying power in the first stage. Moreover, mobilization of resources from the PPF currently in execution will make it possible for the technical team, the initial dissemination campaign, and even some projects to be up and running at the time elections are held. Consideration has been given to supplying all candidates with the PAININ-1 evaluation and with the proposals for PAININ-2. This would provide concrete elements on the basis of which arguments could be presented to the new administration for giving priority to this program.
- 4.10 Despite the fact that PAININ-1 established transparent mechanisms for collaboration, there is the risk that civil society and the government will disagree on program approaches. The execution scheme establishes a system for social audits within the parents' committees and children's commissions. The clarity and specificity of the OR will facilitate application of the basic concept of collaboration established in PAININ-1.
- 4.11 There is also the risk that there will be pressure not to apply the targeting protocol in a transparent manner and, consequently, that the goals for coverage of poor populations will not be achieved. This risk is mitigated by the following: the list of eligible municipalities, as well as the OR, will be agreed prior to the start of execution; the criteria for selecting localities, along with all program objectives and standards will be widely disseminated to the public; Bank supervision includes the right to object to the design of projects—including to their targeting—before tendering on the projects begins.
- 4.12 MIFAMILIA is beginning its modernization with loan 1061/SF-NI; thus, its institutional sustainability has yet to be consolidated. However, the technical and

financial support envisaged in this operation and in loan 1061/SF-NI will mitigate this risk.

- 4.13 For the care provided to children 0-3 years of age, there could be cultural barriers and reluctance on the part of mothers. This risk will be mitigated by counseling pregnant women, offering home care, and communicating the social benefits of early comprehensive care. The program will also ensure that the design of the projects in each municipality is aligned with demand and respects the culture of its beneficiaries.
- 4.14 **Environmental impact.** No negative environmental effects are anticipated. On the contrary, activities involving minor rehabilitation of infrastructure are designed to provide a healthy environment in which children can be cared for, applying the Social Investment Fund environmental management standards approved by the Bank, which will be included in the OR. It is also anticipated that greater awareness will be fostered regarding the use of sustainable natural resources, through the advice PAININ provides to parents on sustainable food practices, child-rearing, and family hygiene.

LOGICAL FRAMEWORK

NARRATIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
OBJECTIVE: Break the intergenerational transmission of poverty in beneficiary families.	In the localities benefited by the project, severe malnutrition among children under 5 years of age and illiteracy declined by 10%, compared to a control group, over the course of the program.	Program evaluation (vs. baseline)	The country continues to experience economic growth and gives priority to instituting the Strengthened Poverty Reduction Strategy.
OBJECTIVE: Comprehensive care of vulnerable children ages 0-6 years assured in communities targeted by the program.	<p>The proportion of children with normal weight curves by age upon completion of program has increased by 5% compared to control group.</p> <p>The proportion of children with a normal development index¹ has risen 5% compared to control group. (<i>index constructed with MINSA's Clapp behavioral development scale by age</i>).</p> <p>The proportion of children graduating from PAININ that enrolled in grade one at the proper age exceeds that of the control group by 10%.</p> <p>The proportion of PAININ children with a full vaccination plan exceeds control group by 20%.</p> <p>The proportion of pregnant women attended by PAININ receiving at least 2 prenatal checks exceeds control by 15%.</p>	<p>Final evaluation of the program (monitoring data)</p> <p>Final evaluation of the program (based on MINSA standards)</p> <p>Final evaluation of the program (based on MECD standards)</p> <p>Final evaluation of the program (based on MINSA standards)</p> <p>Final evaluation of the program</p>	<p>There is interest in the program in municipalities. Cultural barriers to early child care are overcome. Basic Social investment reaches communities targeted by PAININ.</p> <p>There is access to primary education in municipalities targeted by the program.</p>

NARRATIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	<p>The average age of first pregnancy in communities served increased by 12 months compared to control group.</p> <p>Domestic violence index. Index and goal to be determined by the evaluation firm on the basis of surveys in intervention and control groups.</p> <p>Demand for PAININ services increased by 15% in communities served compared to control group upon completion of program.</p>	<p>Final evaluation of the program</p> <p>Final evaluation of the program</p> <p>Final evaluation of the program</p>	
<p>COMPONENTS:</p> <p>Municipal comprehensive care projects for vulnerable children functioning.</p>	<p>1.1 Through alliances with other projects and the municipality, the child commissions obtain more funding for PAININ which represents at least 10% of operating resources.</p> <p>1.2 75% of pregnant women in the program localities are informed on the possibility of entering the program, 3 months after the opening of a municipal project and at any time during the project.</p> <p>1.3 The program serves 60% of eligible children, 12 months after the beginning of the program in the corresponding municipality.</p>	<p>Monitoring and evaluation system</p> <p>Monitoring and evaluation system</p> <p>Monitoring and evaluation system</p>	

NARRATIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	<p>1.4 The program has matriculated 50% of children under 3 years of age in the targeted localities, 8 months after the start of the project in the corresponding municipality.</p> <p>1.5 The program serves 75% of children 3-6 years of age in targeted localities, 8 months after the start of the project in the municipality.</p> <p>1.6 Parents' groups are formed in each locality served by PAININ, 3 months after the start of the program in the municipality, and they hold meetings at least once a month over the course of the program.</p> <p>1.7 In month 18 of the program, a minimum of 50,000 children 0-6 years of age are enrolled and upon completion of the program at least 80,000 children.</p>	<p>Monitoring and evaluation system</p> <p>Monitoring and evaluation system</p> <p>Monitoring and evaluation system</p> <p>Monitoring and evaluation system</p>	
Program's operational and institutional framework at the central, local, and municipal levels strengthened.	<p>2.1 10 professionals with backgrounds in administration, economics, and the social sciences are working full-time at the MIFAMILIA PCU, 3 months after the start of the program.</p> <p>2.2 Consultants to promote projects are contracted 4 months from the beginning of the program in the corresponding municipality.</p>	<p>Program archives</p> <p>Program archives</p>	

NARRATIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	<p>2.3 The origination plan for the Atlantic Coast is 90% underway, 8 months from the start of the operation's execution.</p> <p>2.4 The period between time participatory design is commissioned and the entity is hired in a municipality is not more than 4 months for projects for which contracts are awarded in years 2 and 3.</p> <p>2.5 All of the civil society organizations participating in the program were selected by competition, 5 months from the start of the program in the corresponding municipality.</p> <p>2.6 The municipal children's commission is functioning in each of the program's municipalities in the month in which the program begins in each municipality.</p> <p>2.7 The number of children under 6 years of age * not served in localities targeted by the program does not exceed 40%, 10 months after the start of the program in the corresponding municipality.</p>	<p>Program archives (nonobjection of the Bank to contracting)</p> <p>Program archives</p> <p>Program archives</p> <p>Independent evaluation and oversight visits</p> <p>Independent evaluation and oversight visits</p>	

NARRATIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	<p>2.8 The number of children who do not meet the eligibility criteria for age and/or vulnerability does not exceed 20%.</p> <p>2.9 One mid-term program evaluation carried out 20 months from the start of execution.</p> <p>2.10 Civil society organizations comply with the protocols for care defined in the program's operational guidelines.</p> <p>2.11 75% of facilitators identified and trained 18 months after the start of the program.</p> <p>2.12 50% of PCU members trained according to the plan designed 3 months from the start of the program.</p>	<p>Independent evaluation and oversight visits</p> <p>Evaluation report</p> <p>Monitoring system, and project file (progress reports, oversight visits)</p> <p>Monitoring system and program archives (progress reports, oversight visits)</p> <p>Program archives (progress reports, oversight visits)</p>	

for 3 years for municipalities in which care for 3-6-year olds is provided by another project

Principal Procurements	PROCUREMENT PLAN (IN US\$ THOUSANDS)					Anticipated date of publication
	Amounts	Financing		Modality	Prequalification	
		IDB (%)	Local(%)			
<u>Consulting services</u>	<u>4,953</u>					
Competitive bidding consultants	1,753	67%	33%	PC	NO	I/2001 - II/2001- I/2002
Strengthening of technical capacity	198		100%	PC	NO	I/2002 - II/2002
Development of operational instruments	401	90%	10%	NPB	NO	I/2002 - II/2002
Management and operation of the program						
Design and operation of monitoring and evaluation system	1,317	90%	10%	IPB	YES	I/2002
Design and operation of training system	665	86%	14%	NPB	YES	I/2002 - I/2003 -I/2004
Information and social communication campaign	619	86%	14%	NPB	YES	I/2002 - I/2003 -I/2004
<u>Equipment</u>	<u>198</u>					
Office equipment (furniture, communication equipment)	102	100%	0%	PC	NO	I/2002
Transportation equipment	96	100%	0%	PC	NO	I/2002 - II/2002
<u>Goods and services</u>	<u>21,161</u>					
Comprehensive child care	15,699	90%	10%	IPB	YES	I/2002 - I/2003 -I/2004
Construction	4,119	100%	0%	IPB	YES	I/2002 - I/2003 -I/2004
Infrastructure	1,078	100%	0%	IPB	YES	I/2002 - I/2003 -I/2004
Technical assistance	265	90%	10%	IPB	YES	I/2002 - I/2003 -I/2004
<u>Goods</u>	<u>26,312</u>					
	<u>Goods and Services</u>	<u>Consulting services</u>				
National public bidding (IPB)	US \$ 250,000 and over	US\$ 200,000 and over (firms)				
		US\$ 100,000 and over (individuals)				
National public bidding (NPB)	US \$ 50,000 to US\$249,999	US\$ 50,000 - US\$ 199,999 and over (firms)				
		US\$ 50,000 - US\$ 99,999 and over (individuals)				
Open competition (PC)	up to US\$ 49,999	up to US\$ 49,999				

INSTITUTIONAL AND IMPLEMENTATION CHART

		ENTITY			
Function: <i>Execution</i>		<i>Regulation</i>	<i>Coordination</i>	<i>Social Control</i>	
LEVEL	CENTRAL	<p>*MINISTRY OF THE FAMILY Approves/Signs:</p> <ul style="list-style-type: none"> Standards, Annual Operating Plans, Disbursement Requests, and Contracts submitted by the PCU <p>PCU-MIFAM, Prepares and recommends:</p> <ul style="list-style-type: none"> Regulations, terms of reference; dissemination and training materials; consulting reports. Pacific Annual operating Plan (AOP), and Consolidated AOP. Administrative-financial documents of the AOPs (contracts for procurements, services and consulting, and disbursement requests) 	<p>*SSF Coordinating Council Approves</p> <ul style="list-style-type: none"> the PAININ program's Operational Guidelines <p>Reviews</p> <ul style="list-style-type: none"> Physical and financial progress and evaluation reports <p>SETEC presides, MIFAM acts as secretary for PAININ at specific meetings held every three months</p>	<p>*SSF Technical Committee Coordinates</p> <ul style="list-style-type: none"> plan for program deployment <p>Reviews</p> <ul style="list-style-type: none"> Coordination of municipal projects <p>Minimum frequency for meeting: every three months</p>	
	REGIONAL	<p>SPECIALIZED FIRMS Supervise:</p> <ul style="list-style-type: none"> Performance of the Participating Entities. <p><u>during the first 24 months of execution,</u></p> <p>Consultants in the *Atlantic Regional Technical Units: Propose:</p> <ul style="list-style-type: none"> Operating Plan for RAAS and RAAN <p>Execute:</p> <ul style="list-style-type: none"> Promotional activities for the program and identification of the initial projects in RAAS and RAAN <p>Supervise:</p> <ul style="list-style-type: none"> Initial Participating Entities 		<p>Specialized Firms</p> <p>or</p> <p>RTU consultants</p>	
	MUNICIPAL	<p>Short-term consultant: Conducts:</p> <ul style="list-style-type: none"> analysis and participatory design of the municipal project. <p>*Participating Entity: Provides:</p> <ul style="list-style-type: none"> set of care services; 		*Municipal children's commission	*Civil society delegates in the municipal children's commission
	COMMUNITY	<p>Facilitators (contracted by the PE) Provide training and counseling to mothers, and child care.</p> <p>Beneficiaries: Participate in complementary activities and child care.</p>			Network of mothers-facilitators; Beneficiaries

* Indicates existing entities

PROPOSED RESOLUTION

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

(Comprehensive Child Care Program, Stage 2)

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 Republic de Nicaragua, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a Comprehensive Child Care Program, Stage 2. Such financing will be for the amount of up to US\$25.000.000, or its equivalent in other currencies, except that of Nicaragua, which are part of the resources of the Bank's 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.