

STRENGTHENING OF THE MINISTRY OF FAMILY AFFAIRS FOR THE PROTECTION OF VULNERABLE GROUPS

(NI-0136)

EXECUTIVE SUMMARY

Borrower:	Republic of Nicaragua	
Executing agency:	Ministry of Family Affairs (MIFAM)	
Amount and source:	IDB (FSO):	US\$1,000,000
	Local:	US\$ 156,400
	Total:	US\$1,156,400
Financial terms and conditions:	Amortization period:	40 years
	Grace period:	10 years
	Disbursement period:	30 months
	Interest rate:	1% during the first 10 years and 2% thereafter
	Inspection and supervision:	1%
	Credit fee:	0.5%
	Modality	Single Currency Facility in US\$
Objectives:	<p>The main objective of the program is to create the institutional framework lacking in Nicaragua in order to be able to address efficiently and sustainably the needs of vulnerable groups. To attain this objective, the institutional capacity of the Ministry of Family Affairs (MIFAM) to provide such care will be strengthened. Specifically, the idea is to transform MIFAM into a body having the capacity to formulate policy, hire services, coordinate entities in different sectors that serve the needs of vulnerable groups, and regulate services for these groups. MIFAM could thus prioritize its activities, supervise implementation of the program, and evaluate the impact of priority programs. It is expected that this objective could be attained in two years' time, the duration of the proposed program. The program has two secondary objectives: (i) to reorganize MIFAM based on the capabilities required to achieve the program's main objective; and (ii) to transfer to civil society organizations (CSOs) responsibility for carrying out projects for vulnerable groups.</p>	

Description: The program is divided into two projects, each one in response to a secondary objective. The first one seeks to restructure and strengthen MIFAM so that it can discharge its new functions for the benefit of vulnerable groups. The second is designed to create the initial conditions permitting the ministry to delegate to CSOs the task of carrying out programs for vulnerable groups. The Logical Framework (Annex I) shows the relationship between objectives, projects, components, and activities, and defines indicators and means of verification for each one. The first project consists of two components. The first will bring the ministry's structure into line with its specialized functions of policy formulation, regulation, and sector coordination. The second will establish critical processes within the new structure to facilitate the performance of those functions (paragraphs 2.4 to 2.8).

The second project will create the initial conditions permitting the ministry to contract the services of CSOs for carrying out programs for vulnerable groups. To this end, two components will be carried out: (i) to establish contracting capacity and the procedures for awarding funds, and (ii) to develop protocols for services offered to vulnerable groups (paragraphs 2.9 to 2.12).

The Bank's country and sector strategy: Pursuant to the Poverty Reduction Strategy, that the government has been preparing with the Bank's help, this program would strengthen the government entity in charge of ministering to the needs of the most vulnerable groups as well as its Civil Society counterparts.

Concurrently, the Bank has been supporting reforms in the social sectors so that resources can be channeled to investments, such as the social protection program now under way, that have a high impact on poverty and directly benefit vulnerable social groups. In addition, the Bank supports actions to protect social spending and increase its efficiency, particularly through the Supplemental Social Fund (FSS) (paragraph 1.5 and 1.16).

This program fits in with the Bank's strategic framework for assisting with social programs and poverty reduction insofar as it proposes reform to enhance the delivery of social services for the very poor and vulnerable. Also, it supports the channeling of resources to these same groups more efficiently and more effectively, thus promoting participation by CSOs in service delivery (paragraph 1.15).

Environmental and social review: The program is not expected to have any environmental impact.

Benefits: The country's most vulnerable groups stand to be the main beneficiaries of the program since they will receive care that is better coordinated, more efficient, and more effective. In addition, the program will strengthen MIFAM's capacity to promote further programs in support of these groups (paragraph 4.9).

Another benefit that dovetails with the preceding one is that the certainty offered by a nationwide technical mechanism for coordinating the services required by vulnerable groups will strengthen the confidence of donor organizations (paragraph 4.10).

Risks: The main risk associated with the program is that political commitment to maintain the structure proposed in the program may wane. This risk will be minimized through the existence of a new efficient and effective MIFAM that is justified on its own merits alone (paragraph 4.11).

Another risk has to do with CSOs possibly not accepting authority for prioritizing local projects to assist the vulnerable groups being delegated to MIFAM, and the fragmentation of these activities should the CSOs continue to act independently. This risk will be minimized through the training that the CSOs will receive in the new procedures and protocols for vulnerable groups, and a social communications campaign will be pursued to disseminate information on the ministry's new modus operandi and the importance of coordinating social service delivery with other stakeholders (paragraph 4.12).

A third risk is that the restructuring of the ministry may be less than harmonious, and it may not be possible to carry it out without altering MIFAM's present programs (paragraph 4.13). To mitigate this risk, the program will be implemented in two stages of one year each, and restructuring measures and new procedures will be gradually introduced.

**Special
contractual
clauses:**

The condition whereby the Ministry was required to demonstrate that the progress on the staff rationalization process referred to in the Institutional Modernization Agreement was at a stage considered satisfactory by the Bank, was deemed to have been fulfilled by the Bank on 16 February (paragraph 3.9). That this condition has been fulfilled will be placed on record in the loan contract before the program is submitted to the Bank's Board of Executive Directors for consideration.

Poverty-targeting and social sector classification:

This operation qualifies as a social equity-enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704). Furthermore, this operation qualifies as a poverty-targeted investment (PTI) because the beneficiaries are population groups living in conditions of poverty or extreme poverty (see paragraph 4.6). The borrower will be using the 10 percentage points in additional financing (see paragraph 2.16) for operations that qualify as poverty-targeted projects.

Exceptions to Bank policy:

Amongst the usual conditions for contracts of this kind, the loan contract will stipulate that a revolving fund of up to 8% of the total financing (equivalent to US\$80,000) be set up in order to ensure sufficient liquidity during execution of the operation.

Procurement:

Goods and services will be procured and consultants will be hired in accordance with Bank procedures. International competitive bidding will be used for contracts valued at US\$250,000 or more, in the case of goods, and at US\$200,000 or more, in the case of consulting services. For contracts below these thresholds, the procurement of goods and related services and of consulting services will be governed by the procedures to be attached as Annex D to the loan contract (paragraphs 3.25).

I. BACKGROUND

A. Social and economic vulnerability

- 1.1 Forty-eight percent of the Nicaraguan population lives in poverty, and 17.3% in extreme poverty.¹ A lack of economic resources among poor families is associated with other adverse social circumstances such as a higher propensity for those living in poverty to suffer from malnutrition (45% of children living in extreme poverty suffer from malnutrition compared to 10% of the nonpoor), or to be illiterate (40% compared with 19% of the general population). This situation reveals the vulnerability of these groups and is characterized by the fact that they are excluded from formally integrating into society and the economy (education, basic health, and housing) which would enable them to raise their living conditions. Apart from poverty, other special factors heighten the plight of these vulnerable groups. The Ministry of Family Affairs of Nicaragua has identified vulnerable groups as children at risk of exploitation of any kind, women heads of households and women who are vulnerable in other undefined ways, the elderly, people with disabilities, indigenous people, and residents in the Atlantic Coast region. Given their vulnerability, these groups are in need of special efforts in the form of care and special prevention and protection. The needs of these groups are numerous although there are no data to quantify them.
- 1.2 Despite the prevalence of these problems of vulnerability, no effective institutional framework let alone one providing strategic care exists. In fact, efforts that do exist for these groups are spread thin and provide low coverage; they are not regulated and tend to be ad hoc arrangements with weak technical and administrative underpinnings. There is no institutional framework that would make it possible in advance to identify and quantify needs, establish on this basis policies, standards, and care priorities, promote and facilitate the channeling of external and internal resources to those needs considered most pressing. This explains the limited impact of the public funds diverted to vulnerable groups.
- 1.3 Reliance on external funding owing to cutbacks in public spending presents an additional barrier to assisting vulnerable population groups. In the face of the macroeconomic demands posed by structural adjustment, the government is addressing the need to maintain public spending in the social sectors in order to avoid losses in terms of human capital.

¹ Poverty profile based on the findings of a standard of living measurement survey conducted in 1998, 99. Government of Nicaragua, November 1999.

B. The government's strategic response to vulnerability

1. Priority of vulnerable groups

- 1.4 The Nicaraguan government's development strategy rests on three pillars: sustainable growth, investment in human capital, and social protection. In recent months, the Government of Nicaragua has been drawing up with the help of the IDB, the FMI, and the World Bank, its poverty reduction strategy (PRS)², which focuses on targeting social investment by criteria such as poverty and vulnerability and reforms oriented towards efficiency in public spending. The program will help furnish the institutional capacity to implement the government's strategy, which also envisages care for vulnerable groups in areas affecting the entire population and improved equity, with a focus on gender equity and efforts to combat domestic violence. Accordingly, vulnerable groups are a priority in every strategy, not only in issues concerned with social protection.³
- 1.5 In the PRS, the government undertakes to strengthen programs targeted specifically at vulnerable groups, particularly the Fondo de Inversión Social de Emergencia (FISE) in light of its responsibility for basic infrastructure projects and its strict targeting by poverty criteria; the Supplemental Social Fund [Fondo Social Suplementario] (FSS), as a mechanism coordinated by the Technical Secretariat (SETEC) and carried out by the ministries in an effort maintain basic per capita social spending during the adjustment period with additional soft funding to the fiscal budget and the social safety net, which the Bank supports under loan 1055/SF-NI to encourage and empower extremely poor families to invest in the human capital that their children represent through tied transfers. These programs have suffered from shortcomings in terms of care for the various priority groups mentioned (children at risk, indigenous groups, and communities in the Atlantic Coast region). In particular, they have not been included in the government's activities that target vulnerable groups. This omission reflects a lack of visibility and MIFAM's minimal participation at present in formulating social policy because of insufficient institutional capacity.
- 1.6 More importantly, the PRS does not include the necessary institutional strategy for implementing and maintaining social protection initiatives because of the vacuum created the ministry's present weakness in this area (see paragraph 1.8). As a result, the strategy ignores the institution entrusted with formulating policy and regulations for vulnerable groups because insufficient capacity together with the ministry's scant resources has limited the consistency and coherence and execution

² See *Invirtiendo en nuestro mejor recurso, una estrategia para el sector social*. Government of Nicaragua, 1 and 2 April 1998; *Invirtiendo en nuestro mejor recurso, una estrategia revisada despues del Huracan Mitch*. Government of Nicaragua, 25 to 28 May 1999; and *Estrategia de Reduccion de Pobreza*, Draft, Government of Nicaragua, 21 January 2000

³ *Estrategia de Reduccion de Pobreza*, paragraph 91, Draft, Government of Nicaragua, 21 January 2000.

capacity of social protection policy. The program as proposed would specifically correct this shortcoming.

- 1.7 Through the strengthening of the responsible state agency and civil society organizations, the present program will benefit the same groups to which the government has accorded priority, by providing technical assistance for putting in place systems for allocation, targeting, monitoring, and evaluation of public spending for the third pillar of the government's strategy.

2. The MIFAM current institutional regulation

- 1.8 The government's institutional strategy concentrates on the public sector modernization and reform program, which is supported by the World Bank. The purpose of this program is to boost the efficiency, effectiveness, and productivity of the public service and to promote participation by civil society. The program led to approval in 1998 of Executive Branch Restructuring Act (Law 290). This legislation reduced the number of ministries and secretariats and reallocated responsibilities and powers amongst the institutions in the executive branch.
- 1.9 The aforementioned law established the Ministry of Family Affairs as the entity responsible for formulating policies and coordinating government activities targeted to vulnerable groups. At the same time, a number of entities (Fondo Nicaragüense para la Infancia y la Familia (FONIF), Instituto de la Mujer (INIM), Instituto de Víctimas de Guerra and the future Consejo de Atención Integral a la Niñez y Adolescencia), whereas the general question of coordinating social activities would be transferred to a new secretariat.
- 1.10 However, the regulations have not been implemented systematically, and the law leaves many institutions concerned with social issues and some ambiguity with respect to coordinating these institutions. Hence, MIFAM needs to establish ties with the ministries to the presidency, which are also responsible for social coordination. For instance, MIFAM must coordinate its efforts with intersector or consultative commissions or councils, with institutes under its authority (Instituto de la Mujer) or another ministry (Instituto de Fomento Municipal), with independent entities attached to the President's Office as well as various line ministries. This situation has hindered the health development of a new institution such as MIFAM.
- 1.11 In fiscal terms, MIFAM has come into being under a broad mandate and a very limited budget that does not include enough funds to finance activities for vulnerable groups. Its budget for the 1999 financial year was 52 million colons (US\$4.2 million), with contributions from the national lottery accounting for approximately 33 million colons and funds earmarked in the national budget for 19 million colons (US\$1.5 million). As a result, MIFAM lacks the technical and administrative capacity to perform its functions. It is highly centralized and

overstaffed, having inherited a huge complement of staff from its predecessor institutions and no organizational policy. It is implementing 10 programs valued at US\$183 million which is funded almost exclusively with donor contributions. Its portfolio of services is rationed by the availability of medical care, it does not have a client service approach and suffers from insufficient information on inputs, costs, coverage, and results. Many of its programs could be managed far more efficiently by CSOs.

- 1.12 Moreover, the legislation that created MIFAM also brought INIM into the ministry albeit with some operational autonomy and legal personality of its own. This decision introduces two factors of ambiguity. The first has to do with INIM's position and its responsibility with respect to the ministry. The second concerns the relationship between on the one hand the policies to promote participation by women and gender equity and on the other hand social programs targeted to vulnerable groups. Clearly, because of their status as women and gender relationships, women in Nicaragua do not constitute a vulnerable group as defined in Law 290. Nevertheless, INIM has an important role to play in bringing about integrating the gender dimension into policies and initiatives for vulnerable groups.
- 1.13 Aware of these constraints, the government is supporting the strengthening of MIFAM's technical and management capacity by means of the public sector modernization program as recorded in the institutional modernization agreement (IMA) signed in May 1999 between MIFAM, the ministry of Finance, and the Vice President⁴. In addition, under the IMA, the Ministry of Family Affairs is required to make adjustments to its present organizational and operational structure and to rationalize the administration of all of its resources. The process of staff rationalization should ensure: (i) access to positions and posts based on a public servant's skills and institutional needs; (ii) the application of fair salary scales; (iii) implementation of programs recognizing the efforts of public servants; and (iv) access to proper training and learning programs. The Ministry of Finance undertakes in turn to include in the budgetary allocation for MIFAM an amount corresponding to the savings accruing from the rationalization.
- 1.14 The program for modernization of the State and an IDB technical-corporation funding program (ATN/NS-6430-NI) supported studies and diagnostic reports for a restructuring program for MIFAM that was designed to give it the capacity: (i) to formulate policy, (ii) to coordinate activities between entities serving vulnerable groups, and (iii) to promote and regulate services for vulnerable groups. The technical-cooperation funding has financed diagnostics of existing human, physical, and financial resources and CSO service capabilities.

⁴ The Office of the Vice President as the entity responsible for public sector modernization program.

C. The Bank's strategy

- 1.15 The main objective of the Bank's strategy in Nicaragua is to bring about sustained growth with equity, with emphasis on supporting the poverty reduction initiatives. In pursuing the equity approach, the Bank has financed activities to promote and heighten awareness of issues such as citizen safety, domestic violence, and reproductive health care needs. More important still, the Bank has been financing various projects in Nicaragua that target vulnerable groups. Some of these projects are an integrated child care program (973/SF-NI), under the responsibility of MIFAM, the Fund for risk-free childhood and motherhood (1027/SF-NI), the Atlantic region development program (1051/SF-NI), and the social safety net program (1055/SF-NI). These initiatives are all pilot projects, however, to test institutional frameworks and mechanisms. The proposed program would supplement these efforts, laying the foundations for a permanent institutional capacity with the authority to formulate policy, draft regulations, contract services, monitor and evaluate projects for vulnerable groups.
- 1.16 The Bank has been backing efforts to protect social spending and to increase its efficiency, particularly through its participation in FSS and contributions to the same fund for health and education⁵. This program proposes strategies in keeping with the agenda of reform and⁶ broadens its scope to include social protection through support for a permanent senior entity.

D. MIFAM activities prior to this operation

- 1.17 The Ministry has been pressing ahead with its restructuring plans, with the financial support of the Norway Fund for Innovation in Social Programs (NFISP) and of the World Bank. Three initiatives concerned with preparation of the proposed loan have been concluded: (i) the ministry has initiated the staff rationalization plan, using funding from the public sector modernization program; (ii) a ministerial restructuring plan has been prepared, setting out the actions and steps to be followed; and (iii) a diagnostic report on the CSOs that work with vulnerable groups has been prepared.

⁵ Under operations 1027/SF-NI and 1034/SF-NI.

⁶ In particular, resources are funneled more effectively and more efficiently to care for priority groups and eventual participation by the formal private sector in the delivery of services.

II. THE PROGRAM

A. Objectives

- 2.1 The main objective of the program is to create the institutional framework lacking in Nicaragua in order to address more efficiently the needs of vulnerable groups on a sustainable basis. To achieve this objective, MIFAM's institutional capacity to care for vulnerable groups will be enhanced. Specifically, the program seeks to transform MIFAM into an institution with the capacity to formulate policy, contract services, coordinate efforts with other sectors that serve vulnerable groups, and regulate the services offered to these groups. MIFAM could then prioritize its actions, supervise implementation of priority programs and evaluate their impact. The idea is to attain this objective within the program's two-year duration. The program has two secondary objectives: (i) to reorganize MIFAM on the basis of the capabilities required to achieve the program's main objective; and (ii) to transfer to the CSOs responsibility for carrying out projects for vulnerable groups.

B. Description of the program

- 2.2 The program is divided into two projects, each one in response to a secondary objective. The first one seeks to restructure and strengthen MIFAM so that it can discharge its new duties for the benefit of vulnerable groups. The second is designed to create the starting conditions for the ministry to delegate to the CSOs the task of carrying out programs for vulnerable groups. The logical framework (Annex I) indicates how the objectives, projects, components, and activities dovetail with one another and establishes indicators and means of verification for each one.
- 2.3 To support both projects, the program will provide financing, for a period of one year, for a senior international consultant to facilitate the process of reorganizing the ministry. Also, financing will be provided to hire three directors to manage key units involved in the process of modernization and three specialists will be hired to assist them with local counterpart funding. Bank financing for the directors will be provided on a declining basis over the life of the program with MIFAM absorbing the entire cost by the end of the program. Appearing below is a description of the two projects, their components and activities, and the duties of the international consultant. The functions of the key units and the responsibilities of the specialists to be hired under the program are described in chapter III under the execution strategy.

1. Project one: reorganization of MIFAM (US\$367,000)

- 2.4 The reorganization of MIFAM consists of two components. The first will bring the ministry's structure into line with its specialized functions of policy formulation,

regulation, and coordination of services for vulnerable groups. The second will establish essential procedures within the new structure to facilitate the performance of these functions. The INIM will help develop the institutional capacity in gender planning in activities aimed at vulnerable groups and technical and management training planned for this component.

a. Structural adjustment of MIFAM (US\$226,600)

- 2.5 Under this component, the following activities will be financed: (i) creation of three critical organizational units for modernizing the ministry and a description and approval of the objectives and responsibilities of each one; (ii) establishment and approval of essential positions, duties, and the professional profiles of incumbents and competitions for their selection; (iii) technical training for professional and semiprofessional staff that a ministry needs to effectively perform its functions, based on the job descriptions. These will include an assessment of needs, and training for staff in areas such contracting of services, project design and management, and gender analysis in activities for vulnerable groups; (iv) development of a strategic plan to disseminate information on vulnerable groups to the counterparts. For this activity, the Bank will finance purchase of the necessary services and software for a Webpage on the Internet. Most of the CSOs that serve vulnerable groups in Nicaragua have the equipment and the expertise to use this information network; and (v) the establishment and installation of the MIFAM information network, including the purchase of a server.

b. Essential procedures for the operation of the new structure (US\$150,000)

- 2.6 This component will support the following activities geared to approval and implementation of essential procedures for MIFAM to discharge its new functions and for the functioning of its new structure: (i) design and implementation of an interagency coordination system; (ii) design and implementation of a social communications strategy to keep stakeholders abreast of the MIFAM restructuring, its mission, and the new modalities that will be introduced so that it can carry out this new mission; (iii) establishment of priorities for vulnerable groups based on empiric assessments that exist or were commissioned for this purpose; and (iv) development and adoption of selection criteria for projects and services for vulnerable groups based on validation.⁷

⁷ Apart from this program, MIFAM will have a specialized and permanent trust fund, which will be pivotal for locating funding from external grants to finance on a regular basis projects for vulnerable groups in accordance with the guidelines and priorities established by the Ministry. This mechanism, the Social Investment Administration Fund (FAIS), has already been established and studies are being prepared for their organization and operation. It will be put in place in the second quarter of 2000.

- 2.7 By the end of year two, it is expected that the following capabilities relating to protection for vulnerable groups will have been developed as a result of project one: (i) an efficient organizational structure with the professional staff to identify and provide technical guidance on activities; (ii) a system of institutional coordination with other actors in the social sector, to prevent duplication of efforts and interference; (iii) a set of operating regulations for MIFAM; (iv) a social communications strategy in place; and (v) a strategic plan with priorities and selection criteria for beneficiaries, services, and projects.

2. Project two: creation of initial conditions for integrating private providers (US\$234,000)

- 2.8 To proceed with the restructuring of MIFAM as executing agency and the strengthening of the CSO so that they can take on their responsibilities as service providers, the two following components will be needed: (i) establishment of procedures for awarding funds and hiring service providers, and (ii) development of service protocols for vulnerable groups.

a. Establishment of contracting capacity and procedures (US\$80,000)

- 2.9 This component will guide MIFAM and the CSOs in establishing a relationship through contractual agreements that will govern the financing and execution of projects for vulnerable groups, based on the priorities established in the first project. To this end, financing will be provided for the following activities: (i) development of contracting capacity in the ministry, including the establishment of bidding mechanisms, qualification and selection of providers, contract management and monitoring of contract performance, payment mechanisms, and a legal and regulatory framework; (ii) dissemination and search for a consensus with stakeholders on CSO ranking, selection, and performance criteria; (iii) establishment of a roster of qualified CSOs; and (v) training for CSO in project cycle, preparation, and management⁸.

b. Protocols for vulnerable groups (US\$154,000)

- 2.10 To ensure minimum quality care for vulnerable groups, financing will be provided for the following activities: (i) preparation of care protocols for each priority group, based on the most recent information and accepted international standards; and (ii) technical training for registered CSO in sector priorities and execution of care protocols.

⁸ The staff of MIFAM and the CSOs will be eligible, if they satisfy the technical selection criteria for participation in management training courses that will be offered by INDES in Nicaragua commencing in November 1999. It is estimated that a total of 20 officials will attend in that period. MIFAM staff will also be trained under a program of training in general analysis to be offered by the Bank.

- 2.11 Project two is expected to produce the following results: (i) contracting capacity of private MIFAM entities, including criteria for CSO ranking, selection, and performance evaluation; (ii) an updated register of qualified CSO; and (iii) care protocols for vulnerable groups.

3. Technical assistance for program execution (US\$60,000)

- 2.12 The program will finance the hiring of a top international consultant as a senior advisor during year one of the program only. This consultant will support the process of ministerial restructuring, and will serve as an agent of change in promoting the activities described above under each project and component.

C. Cost and financing

- 2.13 The total cost of the program will be US\$1,156,400, of which up to the equivalent of US\$1 million will be financed under a loan from the IDB drawn on the Fund for Special Operations. The local counterpart funding will provide the remainder of the financing (equivalent of US\$156,400).
- 2.14 The IDB financing will cover: (i) the entire cost of implementing both projects; (ii) the cost of hiring the international consultant; (iii) a portion of the salaries of the three directors in charge of program activities; (iv) local travel of those in charge of the program during year one; (v) contingencies; (vi) inspection and supervision; and (vii) the capitalization of interest for the program's two-year duration, as requested by the government.

Table II-1: MIFAM: Table of costs (in US\$000s)				
Category	IDB	Counterpart	Total	% of total
1. Project one: Organizational structure of MIFAM	376.6		376.6	32.6%
1.1 Component 1. Internal regulations	226.6		226.6	19.6%
1. Training for MIFAM staff	171.6		171.6	
2. Dissemination – design and preparation of web page	40.0		40.0	
3. Information network – server	15.0		15.0	
1.2 Component 2. Critical procedures	150.0		150.0	13.0%
1. Social communications	75.0		75.0	
2. Assessments of vulnerable groups	75.0		75.0	
2. Project two: CSOs services	234.0		234.0	20.2%
2.1 Component 1. Awarding funds to CSOs	80.0		80.0	
2.2 Component 2. Service protocols	154.0		154.0	
3. Technical consultants – medium term	210.0	153.0	363.0	31.4%
3.1 Senior project advisor	60.0		60.0	
3.2 Recurrent expenses of MIFAM				
3 Unit directors	135.0	45.0	180.0	
3 Specialists		108.0	108.0	
3.3 Local travel	15.0		15.0	
4. Support for project execution	79.0		79.0	6.8%
Project manager	36.0		36.0	
Local consultants for administration	12.0		12.0	
Supplies	1.0		1.0	
Equipment (computer and printer)	3.0		3.0	
Audits	12.0		12.0	
Annual project evaluation	15.0		15.0	
5. Contingencies	77.3		77.3	6.7%
6. Financial expenses	23.1	3.4	26.5	2.3%
Credit fee: 0.5%		3.4	3.4	
Inspection and supervision: 1% of loan	10.0		10.0	
Interest: 1% for first 10 years and 2% thereafter	13.1		13.1	
TOTAL	1,000.0	156.4	1,156.4	100.0%
%	86.5%	13.5%	100.0%	100.0%

2.15 The local counterpart funding of US\$156,400 accounts for 13.5% of the total program financing. It will finance (i) a portion of the salaries of the three directors in charge of program execution in year two; (ii) the salaries of three specialists for MIFAM; and (iii) the credit fee. The loan will use the 10 points of additional financing for operations that qualify as poverty reduction projects (see paragraph 4.6).

2.16 In determining the final remuneration of advisors, unit directors, and specialists, the borrower with the Bank's support will seek to ensure the excellence of this staff in

terms of technical and management expertise and worker stability, also taking into account market conditions. Performance contracts will be used for proper monitoring of functions.

Table II-2	
Terms and conditions of financing	
Source of financing	Fund for Special Operations
Amount	US\$1 million
Amortization	40 years
Grace period	10 years
Disbursement period	30 months
Interest rate	1% during grace period and 2% thereafter
Inspection and supervision	1% of total loan amount
Credit fee	0.5% per annum on undisbursed balance

III. EXECUTION

A. The borrower and the executing agency

- 3.1 The borrower will be the Republic of Nicaragua and the executing agency the Ministry of Family Affairs.

B. Program execution

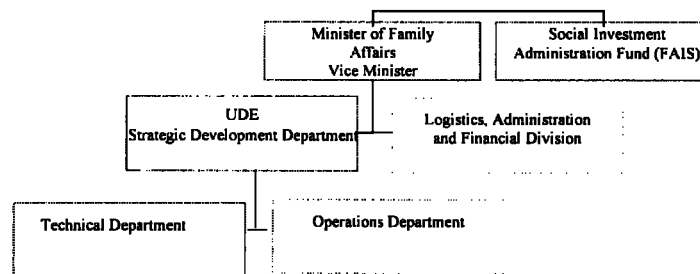
1. Modality

- 3.2 The present institutional strengthening program is intended for a recently created institution in the midst of administrative and institutional modernization. The execution strategy seeks to ensure the technical and financial sustainability of the initial investment to be made with the proposed financing. The program will establish modalities and units for which the ministry will continue to be responsible upon completion of the program. Also, the breakdown of responsibilities entailed in program execution reflects the ministry's new organizational structure (see paragraph 3.6) and not a new separate operating unit. The level of remuneration for consultants and the gradual reduction in IDB financing are also part of this same strategy of sustainability.
- 3.3 An administrative committee will supervise the program. The members of this committee will be the Minister and Deputy Minister of Family Affairs, the international consultant hired for the program and the directors of the three units in charge of execution (the Strategic Development, Technical, and Operations Departments). The Director of the Division of Logistics, Administration, and Finance will also sit on the administrative committee and, although allowed to take part in discussions, will not have the right to vote. The committee will meet at least once a month to review the progress of the project and any problems encountered.
- 3.4 The Bank will finance a portion of the salaries of the three units responsible for execution, mentioned in the previous paragraph. The Bank will finance recurrent expenses be financed on a declining basis, defraying the entire cost of their salaries in year one but only one half in year two, with the government committing to cover the remaining 50% in year two and their entire salaries in subsequent years.
- 3.5 To coordinate the program, a financial accounting specialist will be hired to serve in the Logistics, Administration, and Finance Division. The specialist will be charged with budget execution and program accounting, handling arrangements with the Bank (including nonobjections and disbursement requests), procurement of goods and services, physical and financial progress reports, and the review with the Bank of the status of the program and any problems associated with it. The specialist will

be required to work closely with MIFAM's three units to ensure that the program runs smoothly.

2. Execution of the projects

- 3.6 The Technical Department and Operations Department will be responsible for execution of the two program projects under the supervision of the Strategic Development Department. Shown in the chart below is the organizational structure that MIFAM will use as a basis for program execution and in continuing to perform its new responsibilities.



- 3.7 The department chiefs will report directly to the Chief of the Strategic Development Department, as members of the ministry's executive team involved in the process of modernization and restructuring. They will be hired initially for up to 12 months to review regularly the relevance of their terms of reference in the context of modernization and the performance of their tasks. A senior specialist, whose remuneration will be financed out of the local counterpart funding, will assist each department chief with the program activities for which his unit is responsible. To make the training and transfer of knowledge sustainable, every effort will be made to discourage turnover amongst personnel involved in institutional strengthening activities. Recruitment and changes in local counterpart staff and staff hired from the proceeds of the financing should be based on a competitive process using technical criteria subject to the Bank's nonobjection.

a. Project one

- 3.8 The Strategic Development Department will be in charge of project activities having to do with preparation of MIFAM's internal regulations and the strategic plan, the social communications strategy, the interagency coordination system, the design and installation of the information network and establishment of the Social Investment Administration Fund. As part of project one and under the Strategic Development Department's leadership, the Technical Department will supervise the diagnostics of priority populations, recommend policy priorities to the ministry for approval, and propose information disclosure policy. The Strategic Development Department will be responsible for designing the training plan for the first six

months and the ongoing training for ministry staff and the Operations Department will administer the training.

- 3.9 Given the importance of reductions in force in order to satisfy the program targets, the Ministry of Family Affairs will be required to demonstrate, to the Bank's satisfaction, as a condition precedent to consideration of the operation by the Board of Executive Directors, that the staff rationalization process is in progress. This condition was considered fulfilled by the Bank on 16 February 2000 through RE2/SO2/00/43-M and CNI-0429-C/00. Women employees will not be unduly affected by the MIFAM staff rationalization process.

b. Project two

- 3.10 The Operations Department will be in charge of the project.
- 3.11 The Technical Department will be responsible for monitoring the progress made in attaining the milestones set out in the program logical framework. A system that gauges the degree of access by the groups targeted under projects for the most vulnerable groups will be put in place.
- 3.12 The terms of reference of the chiefs of the departments supported by the present program are available in the program technical files.

3. Program milestones

- 3.13 The logical framework (Annex I) outlines the milestones that must be attained during program execution. The main ones are: (i) approval of MIFAM's internal regulations in October 2000; (ii) incorporation of critical procedures in the ministry's strategic plan in April 2001; (iii) approval of the care protocols in the ministry's strategic plan in April 2001; (iv) delivery of the protocols to the CSO in November 2001; and (v) elimination of the practice of MIFAM implementing projects commencing on 1 January 2001.

4. Execution procedures

a. Evaluation

- 3.14 Execution of the program will be governed by the annual plan of operations (APO). The APO for year one will be included in the initial report to be submitted to the Bank as a condition precedent to the first disbursement. This first APO will be prepared in accordance with the logical framework and the milestones agreed on during the program analysis mission, which are described in the preceding paragraph.
- 3.15 The borrower will submit to the Bank for its nonobjection two evaluation reports, a midterm and a final one. These evaluations will be prepared by an independent

consultant to be engaged by the borrower. The mid-term evaluation will include: (i) fulfillment of the milestones outlined in the logical framework; (ii) possible adjustments in the second half of program execution; (iii) the draft APO for year two; and (iv) possible identification of a loan to finance projects for vulnerable groups. The final evaluation will contain an appraisal of the program's impact on the INIM.

- 3.16 The midterm evaluation report will be submitted 11 months after the effective date of the loan contract or on another date to be determined by mutual agreement between the parties.
- 3.17 The borrower and the Bank will meet to make any adjustments to program execution that may be found to be necessary on the basis of the midterm evaluation and to agree on an APO for year two.
- 3.18 An independent consultant (preferably the same consultant in charge of the first annual review) will be hired to perform a final evaluation of the accomplishments of the program and the extent to which its objectives were met. The final evaluation should also gauge and analyze the extent to which women and children have access to projects for vulnerable groups. This evaluation will be performed 30 days prior to completion of the program.

b. Reports and supervision

- 3.19 The Administrative Committee will be responsible for submitting to the Bank a progress report within 30 days after the end of the first and third six-month periods of program execution. This document will include information on the progress achieved in meeting the targets established by MIFAM and the Bank in the logical framework. It will also sum up the progress made and indicate any problems encountered during execution.
- 3.20 The Administrative Committee will also be responsible for cooperating with the independent consultant in charge of the annual reviews, furnishing such information on the status of the program, the outcomes to date, and the projected results for year two as may be requested by the consultant.
- 3.21 The Bank's Country Office in Nicaragua will be responsible for supervising the program. Social Programs Division 2 (RE2/SO2) will assist the Country Office with the review of the APOs and the evaluation meetings.

c. Timetable for execution

- 3.22 The proceeds of the loan will be disbursed according to the following timetable:

Table III-1 Timetable of program disbursements (in US\$000s)				
Source	Year 1	Year 2	Total	%
IDB/FSO	832	168	1,000	90%
Local counterpart	56.7	99.7	156.4	10%
Total	888.7	267.7	1,156.4	100%
%	77%	23%	100%	

d. Audits

- 3.23 For administration and control of the program, the Ministry of Family Affairs will set up and keep separate accounts and records prepared in accordance with acceptable accounting practices. The program accounts will be audited at the end of each 12-month financial year by a firm of independent auditors acceptable to the Bank. Commencing in year one, the audited financial statements shall be submitted to the Bank each year for the duration of the program. The cost of the audits, estimated at US\$12,000, will be covered in the program budget to be financed by the Bank.

e. Revolving fund

- 3.24 A revolving fund of up to 8% of the loan amount (equivalent to US\$80,000) will be set up to provide sufficient liquidity for physical execution of the operation.

f. Procurement of goods and hiring of consultants

- 3.25 Goods and services will be procured and consultants will be hired in accordance with the Bank's usual procedures. No construction works will be financed under the program. For the procurement of goods and related services, international competitive bidding will be used for contracts valued at or over US\$250,000. For contracts below this threshold, the following procedures will apply: (i) local competitive bidding for contracts between US\$100,000 and US\$250,000; (ii) local limited bidding for contracts between US\$3,000 and US\$100,000; and (iii) direct contracting for contracts below US\$3,000. In the case of consulting services, international competitive bidding will be adopted for contracts valued at or over US\$200,000. For contracts below this threshold, the following procedures will apply: (i) local competitive bidding for service contracts in amounts between US\$50,000 and US\$200,000; and (ii) local restricted bidding for contracts under US\$50,000.

IV. VIABILITY

A. Viability of the program

- 4.1 **Technical viability.** The technical viability of the program will be supported by the technical consultants' analyses financed by the Bank with funds drawn on the Norwegian Fund for Innovation in Social Programs and the World Bank-supported program for modernization of the State.
- 4.2 **Economic viability.** In terms of economic viability, the program is expected to make care for vulnerable groups more efficient, thus making it possible to broaden coverage for these groups at lower cost.
- 4.3 **Institutional viability.** At present, the Ministry of Family Affairs does not operate efficiently. The objective of the program is to assist the government in its efforts to establish an institutional base that enables it to carry out its duties in determining policy for vulnerable groups and as an entity that regulates, supervises, and promotes projects for these groups.
- 4.4 **Financial viability.** In the short term, MIFAM will receive the necessary resources from the State to finance the restructuring of its staff (see paragraph 1.13). As to the continuity of the program after completion, MIFAM is committed to earmarking a portion of the annual budget for maintenance expenses for the new structure.
- 4.5 There is not yet any commitment, however, for financing the ministry in the medium term. A commitment of this kind from the government would depend largely on the success of the ministerial restructuring and the way in which it performs its new functions.
- 4.6 **Classification as a social equity-enhancing and poverty reduction project.** The program does not set out specific indicators to measure explicitly the performance of efforts to enhance social equity and reduce poverty. However, it qualifies as a poverty reduction and social equity-enhancing project insofar its objectives and activities focus on improving assistance for the country's most vulnerable groups because all of the beneficiaries are poor.
- 4.7 **Impact on women and gender equity.** The well-being of women and children is intertwined, particularly in households in conditions of extreme poverty and especially difficult circumstances. This program will benefit poor women in Nicaragua in three ways. First, it will create an environment in which MIFAM can develop sound policies for vulnerable groups, with a gender analysis, including women who are over-represented in these groups, establish priorities based on degree of need and effective demand, target care and ensure quality service.

Second, the program will help develop the necessary institutional skills for implementing effective projects for children at risk, those that are socially and economically vulnerable, or those with problem behavior, bringing both parents into the process, if possible. Consequently, the burden on women who must face these problems on their own in the home should be lightened. Third, the program will bring INIM into the technical and management training activities that will be financed and thus assist with the entity's institutional strengthening.

- 4.8 **Environmental impact.** The program will not have any major impact on the environment.

B. Benefits of the program

- 4.9 The country's most vulnerable groups stand to be the main beneficiaries of the program since they will reap the benefits of better coordinated, more efficient, and more effective care. In addition, the program will strengthen MIFAM's capacity to promote further programs in support of these groups.

- 4.10 Another benefit that meshes with the preceding one is that the certainty offered by a nationwide technical mechanism for coordinating the services requested by vulnerable groups will boost the confidence of donor organizations.

C. Risks

- 4.11 The main risk associated with the program is that social and political interest in maintaining the structure proposed for the program may wane. This risk will be minimized by the presence of a new efficient and effective MIFAM that is justified on its merits alone.

- 4.12 Another risk has to do with CSO possibly rejecting authority for project selection being delegated to MIFAM, and continuing to act independently. This risk will be minimized by the training that the CSO will receive in the new procedures and protocols for vulnerable groups, and a social communications campaign will be organized to disseminate information on the ministry's new modus operandi and the importance of coordinating social service delivery between the CSO and MIFAM and other stakeholders.

- 4.13 A third risk is that the restructuring of the ministry may be less than harmonious, and it may not be possible to carry it out without altering MIFAM's present programs. To minimize this risk the program will be implemented in two phases each of one year, gradually introducing the reorganization measures and new procedures.

LOGICAL FRAMEWORK

Objectives	Indicators	Means of verification	Assumptions
Framework of the social structure and strengthened	Decline in vulnerability indicators	Censuses, other information compiled by INEC, MECOVI	Fiscal and social environment
Family Affairs (MIFAM) has to formulate policy, coordinate agency efforts, promote services for vulnerable	Increase in services offered by MIFAM to vulnerable groups and in quality and efficiency of these services	Surveys of customer satisfaction Coverage of services measured by information compiled by MIFAM	<ul style="list-style-type: none"> MIFAM prepares an action plan outlining activities, assigning responsibilities, and setting deadlines for completion of activities assumptions contained in the framework, November 1999 Political willingness to support MIFAM continues National budget reflects minimum requirements
Functional structure of the organization endowed with necessary	1. Staff rationalized and staff with necessary skills, February 2000	1. MIFAM payment form	1. MIFAM monitors its staff rationalization plan; resources available to finance staff
Services provided by CSOs	2. The Nicaraguan government does not enter into new agreements or renew existing ones for execution of projects by the Ministry commencing on January 1, 2001	2. Agreements signed by Nicaraguan government	2. CSOs agree to carry out projects with vulnerable groups with funds funneled through MIFAM in accordance with terms and
Internal regulations and in place	1.1 Internal regulations approved, May 2000 MIFAM expertise available to public in December 2000	1.1 Ministerial document; MIFAM document Publication of information in a form accessible to the public	

Objectives	Indicators	Means of verification	Assumptions
ve critical processes ted, approved, and in place	1.2 Critical processes incorporated into ministerial strategic plan in November 2000	1.2 MIFAM document	
M's senior technical levels ished tives and purposes of each izational unit and positions ved sary positions, functions, rofessional profile of bents established ositions filled by etition ish and implement six- staff training plan nation systems network ed and installed gic plan for disclosure of ation " established to serve and nt vulnerability n of interagency ination designed and mented n and execution of social UNICATIONS strategy ties established for able groups based on ments	1.1.1 Three directors of technical units hired in February 2000 1.1.2 Objectives and purposes approved in May 2000 1.1.3 Positions and functions approved in May 2000 1.1.4 Competitions completed in May 2000 1.1.5 Plan executed in December 2000 1.1.6 Network designed in June 2000 and installed in January 2001 1.1.7 Plan prepared in September 2000 and web page in December 2000 1.2.1 "Fund" established in May 2000 1.2.2 System of coordination designed in June 2000, approved and implementation commenced in July 2000 1.2.3 Plan designed in August 2000 and execution commenced in February 2001 and completed in July 2001 1.2.4 Consultants' TORs drafted in June 2001; consultancies completed and priorities established by MIFAM in October 2000	1.1.1 Records of project coordination 1.1.2 Ministerial decision 1.1.3 Ministerial decision 1.1.4 MIFAM staff plan 1.1.5 Records of project coordination 1.1.6 Records of project coordination 1.1.7 Records of project coordination 1.2.1 Ministerial decision 1.2.2 Records of project coordination 1.2.3 Records of project coordination 1.2.4 Records of project coordination	<ul style="list-style-type: none"> There is a supply of quali

Objectives	Indicators	Means of verification	Assumptions
Activities established and incorporated into strategic plan for managing financing and selection criteria for projects and services based on assessments and projected demand to be carried out over 5 years	1.2.5 Priorities in strategic plan, November 2000	1.2.5 MIFAM document	
Components:			
Procedures for awarding funds to projects approved and in effect; care protocols for vulnerable groups approved and shared with participating agencies	2.1 Standards governing relationship with CSOs included in ministerial strategic plan, November 2000 2.2 Protocols approved in strategic plan in November 2000 and shared with CSOs in June 2001	2.1 MIFAM document 2.2 MIFAM document; records of project coordination 2.3 Registers of CSOs trained in care protocols	
Consultancies to determine criteria for selection of CSOs; MIFAM compiles, drafts, and reaches consensus on criteria for qualification, selection, and performance of CSOs using best practices based on past experience (UNICEF and UNIN for instance); Manuals approved to develop and implement mechanisms and procedures for linkages with CSOs for each technical office; Register of qualified CSOs prepared; CSOs trained in projects; CSOs trained in care protocols	Criteria determined in April 2000 2.1.1 Agreement with coordinator for childhood in April 2000 2.1.2 Manuals approved in September 2000 2.1.3 Register published in November 2000 2.1.4 Training for CSOs completed in February 2001 2.2.1 Training for CSOs completed in June 2001	Records of project coordination 2.1.1 Agreement signed 2.1.2 MIFAM document 2.1.3 MIFAM document 2.1.4 Records of project coordination 2.2.1 Records of project coordination	

Strengthening of the institutional framework for the protection of vulnerable groups
Procurement schedule

Principal procurement	Financing	Method	Prequalifications	Date (semiannual period/ year)
1. Project 1. Organizational structure of MIFAM				
Component 1. Internal regulations				
• Consultants	IDB 100%	ICB/LCB/PS	No	I/2000-II/2001
• Materials	IDB 100%	PS	No	I/2000-II/2001
• Equipment	IDB 100%	PS	No	I/2000
Component 2. Critical processes				
• Consultants	IDB 100%	LCB/PS	No	I-II/2000
• Materials	IDB 100%	PS	No	I-II/2000
2. Project 2. Services provided by CSOs				
Component 1. Awarding of funds to CSOs				
• Consultants	IDB 100%	PS	No	I-II/2000
• Materials	IDB 100%	PS	No	I-II/2000
Component 2. Service protocols				
• Consultants	IDB 100%	LCB/PS	No	I-II/2000
• Materials	IDB 100%	PS	No	I-II/2000
3. Technical evaluation – midterm				
• Consultants	IDB 72% Gov. 28%	ICB/LCB/PS	No	I/2000
4. Support for program execution				
• Consultants	IDB 100%	PS	No	I/2000
• Materials	IDB 100%	PS	No	I/2000-II/2001
• Equipment	IDB 100%	PS	No	I/2000

ICB International competitive bidding
LCB Local competitive bidding
PS Price shopping

PROPOSED RESOLUTION

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

**Program for the Strengthening of the Ministerio de la Familia
for the Protection of Vulnerable Groups**

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the República de Nicaragua, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a Program for the Strengthening of the Ministerio de la Familia for the Protection of Vulnerable Groups. Such financing will be for the amount of up to US\$1,000,000, or its equivalent in other currencies, except that of Nicaragua, which are part of the resources of the Fund for Special Operations, and will be subject to the "Special Contractual Conditions" and the "Financial Terms and Conditions" of the Executive Summary of the Loan Proposal.