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NICARAGUA

PROGRAM TO SUPPORT IMPLEMENTATION OF THE NATIONAL EARLY CHILDHOOD POLICY IN TARGETED COMMUNITIES

(NI-L1059)

LOAN PROPOSAL

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ELECTRONIC LINKS	
REQUIRED	
1.	AWP (Work plan for the first disbursement and the first 18 months of execution) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36746272
2.	Monitoring and Evaluation Plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36740703
OPTIONAL	
1.	Economic analysis http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36740009
2.	Procurement Plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36747038
3.	Targeting http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36748492
4.	Safeguard Screening Form for classification of projects (SSF) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36774808

ABBREVIATIONS

APLMC	Amor para los Más Chiquitos
AWP	Annual Work Plan
CICOs	Community Child Care Center
EMNV	Standard of Living Survey
ENDESA	Demographic and Health Survey
GCI-9	Ninth General Capital Increase
GER	Gross Enrollment Ratio
ICAS	Institutional Capacity Assessment System
IMR	Infant mortality rate
INIDE	National Development Information Institute
KIDI	Knowledge of Infant Development Inventory
MIFAN	Ministry of the Family, Adolescents and Children
MINED	Ministry of Education
MINSA	Ministry of Health
OPGD	Oversight and Promotion of Growth and Development
PAININ	Programa de Atención Integral a la Niñez [Comprehensive Child Care Program]
PBL	Policy-based loan
PGR	Presupuesto General de la República [National Budget]
PNPI	National Early Childhood Policy
PPVT	Peabody picture vocabulary test
SEPA	Procurement Plan Execution System
SIGFA-PRO	Sistema Integrado de Gestión Financiera y Administrativa-Proyectos [Integrated Financial Management System - Projects]
SNBS	Sistema Nacional de Bienestar Social [National Social Welfare System]
UBN	Unmet basic needs
UNAN	Universidad Nacional Autónoma de Nicaragua

PROJECT SUMMARY

NICARAGUA

PROGRAM TO SUPPORT IMPLEMENTATION OF THE NATIONAL EARLY CHILDHOOD POLICY IN TARGETED COMMUNITIES (NI-L1059)

Financial Terms and Conditions					
Borrower: Republic of Nicaragua				FSO	OC
Executing agency: Ministry of the Family, Adolescents and Children (MIFAN)			Amortization period:	40 years	30 years
			Disbursement period:	4 years	4 years
Source	Amount	%	Grace period:	40 years	5.5 years
IDB (FSO)	US\$10 million	21	Interest rate:	0.25%	SCF-Fixed
IDB (Ordinary Capital)	US\$10 million	21	Inspection and supervision fee:	N/A	*
Local	US\$28 million	58	Credit fee:	N/A	*
Total	US\$48 million	100			
Project at a Glance					
Program objective: The overall objective of the program is to foster the development of cognitive, emotional, motor, and social skills in children under six years of age in targeted communities. This will be pursued through the intermediate objectives of: (i) raising awareness, training, and educating parents to foster adequate nutrition, health, education, good treatment, and having them actively participate in the promotion and realization of early childhood rights; (ii) improving scattered populations' access to early childhood services; and (iii) improving the quality of care from public services (see paragraph 1.16).					
Conditions precedent to the first disbursement of the loan proceeds: (i) MIFAN has hired a specialist to support accounting and financial record-keeping and a procurement analyst as members of the team; (ii) all the commitments made in the action plan resulting from the application of the Institutional Capacity Assessment System (ICAS) have been implemented (paragraph 2.4); (iii) the program Operating Regulations have been approved and have taken effect; and (iv) a firm has been contracted to establish the baseline for the program impact assessment (paragraph 3.8).					
Special contractual clauses: (i) Six months after the date on which it is declared eligible for disbursements of the loan proceeds, and on each successive year, the costing parameters will be verified against the provisions of the Operating Regulations, to determine the parameters used to calculate the fixed amount per capita financed with resources from Component 1; and if a significant discrepancy is found, the amount will be adjusted (see paragraphs 2.4 and 3.4); (ii) MIFAN must submit an annual work plan (AWP) before 31 March of each year, including the programming of resources for the current year, and the execution report on the National Budget (PGR) for the preceding year on comprehensive childhood care activities, broken down at municipal or departmental level (as applicable), which will be compared with the baseline for the previous three years (see paragraph 2.5); and (iii) MIFAN will hire independent consultants to prepare a semiannual verification report and an annual performance assessment on the services provided with the resources of Component 1 (see paragraph 1.19).					
Special considerations: The fixed (partial) amount relating to the incremental share of the cost of comprehensive care per child served is proposed as an eligible cost for funding with Component 1 resources. The Inter-American Development Bank (IDB) will conduct an ex post review of disbursements, confirming the eligibility of the expenditures incurred with the loan proceeds. For an expense to be eligible it must also meet the agreed quality specifications, namely: (a) the intensity (number of visits per year per age group); (b) the duration (hours/minutes of educator/mother contact time); and (c) fulfillment of care standards in visits according to protocols (see paragraphs 3.4 and 1.19).					
Exceptions to Bank policies: None					
Project consistent with country strategy:			Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	
Project qualifies as:			SEQ <input checked="" type="checkbox"/>	PTI <input checked="" type="checkbox"/>	Sector <input type="checkbox"/> Geographic <input checked="" type="checkbox"/> Headcount <input type="checkbox"/>

* The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable provisions of the Bank's policy on lending rate methodology for Ordinary Capital loans. In no case will the credit fee exceed 0.75% or the inspection and supervision fee exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problems addressed, and rationale

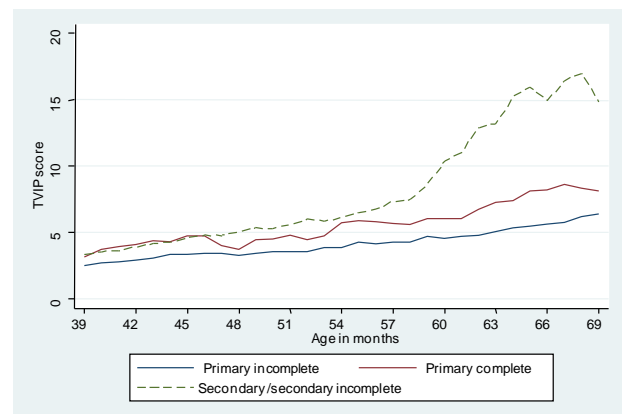
1.1 Status of children in Nicaragua, inequality, poverty, and developmental delays.

With a Gini index of 0.523, Nicaragua is the twentieth most unequal country in the world.¹ The inequality in terms of human capital indicators is reflected in the fact, for example, that the wealthiest 20% of the population attains an average of 9.5 years of schooling, whereas among the poorest 20%, this is only 2.5 years. There are also marked regional differences. The share of the population with less than four years of schooling ranges from 7% in Managua to almost 60% in Jinotega.²

1.2 According to the 2009 Standard of Living Survey (EMNV), 43% of households in Nicaragua are poor. However, just over half of children aged five and under are poor (71% in rural areas and 33% in urban areas), which highlights the vulnerability of Nicaraguan children. According to the National Development Information Institute (INIDE)³ just 9.4% of children aged under six in rural areas reach high levels on the early childhood well-being index. Moreover, chronic malnutrition stands at 22% among children five and under and 19.4% among children between 6 and 23 months, with a higher incidence among poorer, rural families, and in those in which the mother has a lower level of education.⁴

1.3 Additionally, children exhibit significant delays in cognitive development even before starting school. A study conducted on a sample of poor children aged 5 to 6 in rural areas found that 85% of them suffer a relative delay of one year and nine months with respect to international standards. Comparing children with better educated mothers with those whose mothers have a lower level of education also revealed significant gaps (see Figure 1).⁵

Figure 1. Cognitive development curves according to mother's educational attainment



¹ World Bank, 2005.

² United Nations Educational, Scientific and Cultural Organization (UNESCO), 2010.

³ Data from the 2009 Estudio Nacional de las Condiciones de Vida [National living conditions study] and first version of the Nicaraguan Children and Adolescents Well-being Index (2009).

⁴ INIDE, Demographic and Health Survey (ENDESA) 2006-07.

⁵ Source: Macours, Schady, and Vakis (2008) based on data from cognitive development tests taken in rural areas measured using the Peabody Picture Vocabulary Test (PPVT), which has been used widely in Latin American countries, (Schady et al., 2011). The Comprehensive Child Care Program (PAININ) III evaluation (Santiago Consultores 2011) shows similar delays, even using different measures such as the Communicative Development Inventory (MacArthur), and the Motor Development Test in the McCarthy Scales of Children's Abilities.

- 1.4 The evidence from Nicaragua⁶ suggests these gaps are due to: (i) parents' poverty and low educational attainment; (ii) parents' lack of knowledge of best practices in childrearing, strengthening positive nonviolent relationships, bonding, adequate nutrition, and early stimulation; and (iii) the limited use of existing services. This program aims to have an impact on the second and third causal factors.
- 1.5 **Knowledge of childrearing guidelines.** There is no quantitative evidence regarding parents' knowledge of childrearing guidelines. However, the evaluation of the *Atención a Crisis* program,⁷ which included a small advisory module, demonstrated that not only had children aged 3 to 4 years recovered 1.5 months of delay on development tests after nine months in the program, but improved results were seen in terms of parental stimulation. Specifically, parents were more likely to read to their children.
- 1.6 **Use of services. The importance of supply and demand.** The Ministry of the Family, Adolescents and Children (MIFAN) is responsible for providing comprehensive care during the 0 to 3 years stage through its PAININ program, with services at Community Child Care Centers (CICOs) and in home visits,⁸ and at childhood development centers. MIFAN serves approximately 45,000 children, of whom almost 60% live in rural areas. This coverage is equivalent to 11% of the population in this age group. The services offered for children aged 3-6 years are provided by the Ministry of Education (MINED), through preschools (formal or community-based). According to MINED, 5.8 out of every 10 children in the eligible age range do not receive preschool education (7 out of 10 in poor rural areas).⁹ In this group, the main reasons cited for not attending preschool are "it is far from home" (9.7%) and/or "there is no one to take him/her" (1.4%).¹⁰ This suggests that Nicaragua faces two distinct challenges: (i) care of children aged three and under, for whom there is currently no comprehensive public care program with significant coverage; and (ii) care of children aged 3-5, for whom modalities reaching isolated populations at low cost are still lacking, as distance seems to be an important determinant in attendance. This operation therefore proposes to devote 76% of its resources to supporting the extension of targeted coverage, as described in components 1 and 2. On the demand side, the EMNV also indicates that other reasons early childhood services are not used include: (i) the child is too young (33%); (ii) does not need care (45%); and (iii) lack of money (4.8%). The low

⁶ UNESCO, 2010, Macours, Schady, and Vakis, 2008; Villanger, 2008; Report on the Amor para los Más Chiquitos forum (APLMC); 2011, Evaluation of PAININ III; Santiago Consultores, 2011; EMNV, 2009; Ministry of Health (MINSa) 2008; United Nations Population Fund (UNFPA), 2011; inter alia. These studies find that the greatest progress achieved by various interventions (conditional cash transfers, advocacy, etc.) is among the poorest.

⁷ Evaluation of the *Atención a Crisis* conditional cash transfer program, Macours et al., 2008.

⁸ PAININ is described in paragraph 1.15. In the home-visit (or "itinerant") modality, educators, and volunteer mothers and fathers, provided comprehensive care to homes in isolated and scattered communities.

⁹ Verdisco et al., 2009.

¹⁰ EMNV 2009.

coverage is therefore not solely due to the lack of supply, but is largely a result of scant demand. The focus of care is therefore on raising parents' appreciation of early childhood care provision (see paragraph 1.18).

- 1.7 **Quality.** The results of the PAININ III¹¹ impact evaluation, and operational audits and performance assessments point to deficiencies in the quality of services offered, in terms of infrastructure, protocol, and the training of human resources. These results were taken into account when defining the quality standards for the proposed program (see paragraph 1.19).
- 1.8 **Public expenditure.** The low coverage of primary childhood care is related to the constraints on public spending for this age group and its limited targeting. Thus, in 2011 the MIFAN received a total budgetary allocation equivalent to US\$18 million (1.13% of the budget). In addition, due to the emphasis initially placed on the universal provision of social services, the importance of targeting them was ignored until 2010. This risked producing a “non pro-poor” effect of public spending, and thus aggravating exclusion of the most vulnerable. The EMNV 2009 indicates that 58% of children served by CICOs are “not poor.” With the National Human Development Plan updated in September 2010, the Government of Nicaragua reconciled the long-term goal of providing universal coverage with the immediate need to target public resources.
- 1.9 **Institutional and policy framework.** In 2011 a new series of policy-based loans (PBLs) was launched with the Improvement of Social Protection and Health Spending and Management (NI-L1051) program to strengthen the management of MIFAN and the Ministry of Health (Minsa), and to sustainably extend priority social services to achieve the Millennium Development Goals. The reform commitments made in this context will help improve public management and the effectiveness of public social spending, with quality standards for services targeting vulnerable families, primarily those with children under age six. Thus, the country has adopted a National Early Childhood Policy (PNPI) as a mechanism to guide sector and intersector initiatives aimed at children under six, their families, and communities. Within this framework, each institution in the social sector, depending on its mandate and expertise, is responsible for providing the resources and implementing actions to improve the indicators that apply to them in relation to comprehensive childhood development. For its implementation the PNPI stipulates that entities in the sector be coordinated in the so-called Sistema Nacional de Bienestar Social [National Social Welfare System] (SNBS). The Executive Branch Organizational Act gives MIFAN the authority to act as the entity responsible for protecting vulnerable groups, while the Ministries of Health and Education have responsibilities for governance and providing care, respectively, in the areas of nutrition, health, and education from the first level of preschool education. The importance of this policy framework is that it recognizes the need to invest in safeguarding the country's human capital through intersector actions supporting

¹¹ Santiago Consultores, 2011.

people throughout all stages of their lives. The challenge will be to implement this policy taking into account the need to expand coverage, better target the most vulnerable population, and promote service quality.

- 1.10 To do so, MIFAN is making organizational adjustments to its care modalities. PAININ is being aligned so that the 0 to 3 year age group receives care in the form of home visits, while the 3 to 6 age group is given care in CICOs, which are currently in the process of official approval and transfer to preschool education under the responsibility of MINED. MIFAN is also redefining the strategies for working with families based on the institutionalization of a family support methodology to ensure closer and more continuous contact with the families served, especially if they include children or adolescents. MIFAN has also made progress toward results-based management, incorporating minimum welfare conditions as standards to guide the performance of its programs in close coordination with education and health. In terms of management, starting this year, MIFAN has adopted from MINSA the practice of signing social contracts. These are management agreements between the central level of the two ministries and their local care units setting coverage and quality targets.
- 1.11 **Promoting comprehensive childhood development, international evidence.** It has been reported in the literature¹² that investments in the health, adequate nutrition, cognitive development, and emotional wellbeing of children during their first years of life have the potential to equalize opportunities and, therefore, reduce structural inequality. The first 1,000 days of a child's life offer a single short window of opportunity to stimulate his or her potential. The essential elements of comprehensive care for childhood development include, in particular, good nutrition, and health services during pregnancy, birth, and the child's life. Moreover, today we also understand the importance of the "quality" of the childrearing experience and the interactions between parents or caregivers and children. It is the conjunction of all these factors that is amplifying their effects beyond what might be expected from standalone actions.
- 1.12 In particular, in the case of home visits to mold and improve the quality of the childrearing experience, existing literature shows these interventions to be very cost-effective, particularly when: (i) the intensity is high (weekly visits have a bigger impact than monthly visits); (ii) the quality is good (measured in terms of initial and ongoing staff training, continuous monitoring and supervision, and the existence of a detailed written protocol); (iii) exposure to the program is long-term; (iv) the focus of intervention is clear (e.g. stimulation vs. education); and (v) when the process is interactive between the educator and the mother or father. The cost-effectiveness of preschool care has also been reported in Argentina and Uruguay.
- 1.13 **Country Strategy with Nicaragua 2008-2012 and alignment with the Ninth General Capital Increase (GCI-9).** The country strategy highlights as one of its

¹² Engle et al., 2011; Nores and Barnett, 2010; Engle et al., 2007, Berlinksi et al., 2009, 2008; Baker-Henningham and López Boo, 2010, Grantham Mc Gregor et al., various years.

strategic lines the development of a social welfare system and the improvement, management, and coverage of basic social services. Operation NI-L1059 will contribute directly to the line “To support low-income families through actions for the comprehensive development of children under age six” by contributing to the following indicators: (i) increase in health coverage, particularly maternal and child health; (ii) number of children under age six receiving comprehensive care services (early stimulation, nutritional supplements, monitoring of growth and development, and school readiness); and (iii) reduction in the percentage of children under age six suffering from chronic malnutrition in targeted (rural) municipios. Operation NI-L1059 also dovetails with social policy to promote equality and productivity, which the GCI-9 mandate seeks to promote. This same policy is focused on promoting equality, by expanding access to comprehensive child care services, and basic health and nutrition services. The expected results from this program will directly support the following regional development targets: (i) increased preschool enrollment rates; (ii) increased registration of newborns; (iii) reduced infant mortality, and (iv) increased number of people (indigenous and nonindigenous) benefiting from a comprehensive child care package. Lastly, as a GCI-9 priority, financing is being provided to one of the smallest and least developed countries.

- 1.14 **Complementarity with the Bank’s and other donors’ portfolios.** This operation complements the PBL reform effort (see paragraph 1.19) and investment operations under the Bank’s social portfolio in Nicaragua, since it focuses on poor rural communities and municipios (whereas NI-0155 targets marginal urban areas) and includes comprehensive promotion of development in emotional and cognitive areas, complementing primary health and nutrition aspects addressed by MINSA, particularly with the support of the program Improving Family and Community Health in Highly Vulnerable Municipios (NI-L1054). The proposed intersector implementation approach requires that a register be kept of the names of the children in the targeted communities to whom care is provided, so as to avoid the duplication of funding of health and nutrition programs in municipios which may be targeted by both operations. This mechanism is supported by the policy reforms promoted under operation NI-L1051, such as the implementation of the PNPI and the gradual consolidation of a unified register of beneficiaries. The Social Protection Program funded by the World Bank does not include resource for care, instead complementing efforts to strengthen MIFAN’s model and management under the PNPI.
- 1.15 **Relationship with the PAININ program.** As mentioned in paragraph 1.9, the implementation of the PNPI represents a change in terms of: (i) consolidating institutions as an institutional network under the SNBS; (ii) standardizing and approving a range of modes of care within the SNBS; (iii) strengthening the mechanisms to ensure quality. In this regard, this program incorporates the lessons of 14 years of implementation by MIFAN and the Bank’s support to PAININ. Thus the proposed home visit mode arose out of the itinerant modality created in the second stage of PAININ. The evaluations and operational audits of PAININ have produced valuable information confirming the strategies proposed for this operation

related to: (i) expanding coverage in a cost-effective way; (ii) sharpening the focus on the most vulnerable population; and (iii) promoting service quality. This program, approved under a new institutional and operational framework, retains many elements of continuity with PAININ, particularly as it continues to provide comprehensive care in early childhood to the most vulnerable communities. It was therefore agreed that the evaluation resources of the current stage of PAININ be used as the baseline for this program (see paragraph 1.24).

B. Objectives, components, and cost

- 1.16 This project is framed within the guiding principles of the PNPI and supports communities targeted by the *Amor para los Más Chiquitos* (APLMC) strategy, which is consolidating itself as a national program.¹³ The overall objective of the program is to foster the development of cognitive, emotional, motor, and social skills in children under six years of age in targeted communities. This will be pursued through the intermediate objectives of: (i) raising awareness, training, and education parents to foster adequate nutrition, health, education, good treatment, and having them actively participate in the promotion and realization of early childhood rights; (ii) improving scattered populations' access to early childhood services; and (iii) improving quality of care from public services. As Component 1 provides financing of a fixed amount per capita, under specifications of quality of service of recognized effectiveness, and as Component 2 provides training and provision of basic equipment in beneficiary municipios, it is expected that the use and coverage of these services will increase, resulting in an improvement in the quality of child care.
- 1.17 The program has been geographically targeted using the indicators proposed by the APLMC's national technical commission.¹⁴ As a first step, drawing on the official methodology for unmet basic needs (UBN) developed by INIDE in 2008, an open list of 53 eligible municipios was established, presenting an Adjusted Extreme Poverty Index (M_0) of over 0.20. As a second step, of these 53 municipios, 37 were preselected (see link on [Targeting](#)) as being those for which information was available on the specific indicators of gross enrollment ratio (GER) for the 3 to 6 age group, and infant mortality rate (IMR). As a third step, and since the program's resources are insufficient to cover the entire children's population in these municipios, according to the costing exercise (see the [Economic analysis](#) link), the program will target the poorest population segments based on census data (that is, with an M_0 of over 0.20), which would provide coverage to no fewer than 80,000 children over a period of two and a half years. A register of beneficiaries disaggregated by ethnic origin (and gender) is envisaged where possible, with measures to adapt the interventions to cultural factors.

¹³ APLMC began as a public-education campaign and led to the promulgation of the Política de Primera Infancia [Early childhood policy].

¹⁴ These indicators were: the adjusted incidence of extreme poverty by UBN (MIFAN), the GER for the 3-5 age group (MINED), and the IMR (MINSa).

- 1.18 **Component 1. Comprehensive child care (US\$15.192 million).** This component partially funds comprehensive care for children age six and under in 37 targeted municipios. Particular emphasis will be placed on children in the three and under age group. The care modalities start from a focus on parenting skills training, and take into account children's development support needs in each age range, and the fact of the scattered population, while maintaining effectiveness and quality standards as the guiding principles. Thus, direct care for the first stage (0 to 3 years) rests on a strategy of home visits for parental support (12 visits a year, lasting 120 minutes each);¹⁵ while the institutional alternative for preschool children is aimed at children aged over three, who will also receive home visits for parental support, but these will be shorter and less frequent (10 visits a year, lasting 90 minutes each, if the family has just joined the program, dropping during the second and third years, unless all the children in the household have reached primary school age before then). During these visits a qualified practitioner interacts with the children and their parents to model care and childrearing practices, promote health and hygiene habits, registration at the vital records office, and preschool enrollment (see paragraph 1.21). The health and nutrition promotion aspects throughout the age range will be the responsibility of MINSA personnel under active referrals by MIFAN.
- 1.19 This component finances a fixed amount per child receiving care, related to the incremental cost of a set of comprehensive care interventions in the areas of nutrition, health, promoting comprehensive child development in the family, and preschool education in accordance with the agreed upon specifications. The fixed amount is estimated at: (i) US\$100 per year for each child under six for the comprehensive care home visit, under the direct responsibility of MIFAN in the framework of the SNBS; (ii) US\$25 per year for each child aged three to six for the delivery of a snack at a care center; and (iii) US\$35 per year for each child under six for comprehensive nutritional and health care.¹⁶ The [Economic analysis link](#) sets out the details of the services and gives a breakdown of the cost, allowing the calculation of the increment financed with program resources. Eligibility of expenses will be verified with the support of: (i) a verification report, which will verify coverage (see paragraph 1.23) certifying the beneficiaries reached and the services provided; and (ii) a performance evaluation to verify compliance with the agreed specifications, namely: (a) the intensity (number of visits per year per age group); (b) the duration (hours/minutes of educator/mother contact time); and (c) fulfillment of care standards defined by the protocols during visits. To be eligible the expense must meet the stated quality specifications. The foregoing implies that the eligible expense in this component is the fixed amount related to the incremental portion of the cost of benefits provided to each child served (see paragraph 3.4). Moreover, as a special contractual condition, MIFAN will hire

¹⁵ When there is a high level of risk this number of visits will be subject to review by technical staff.

¹⁶ See [Economic analysis link](#) for the calculation based on the INIDE population estimate for 2011.

independent consultants to prepare the semiannual verification report and conduct the annual performance evaluation described in this paragraph.

- 1.20 In order to ensure sustainable financing based on current levels of coverage and budgetary effort by the ministries concerned, it is envisaged that this component will finance a decreasing share of the cost of care over the program disbursement period. Specifically, in the first two years it will finance 60% of the annual cost per child under age six for the home visits, 100% of the annual cost per child aged three to six for the snack, and 15% of the cost of health care per child under age six covered (that is, in total amounts, US\$60, US\$25, and US\$5.25, respectively). In the last two years of the disbursement period, the respective percentages will be 55%, 90%, and 12%. Given that the cost per child actually served is partially covered, the financing is an incentive for MIFAN, as executing agency, and MINED and MINSA to channel their own resources towards early childhood services in the targeted communities (see paragraph 2.5).
- 1.21 **Component 2. Improving and equipping spaces and training human resources (US\$2.7 million).** The objective of this component is to train human resources (US\$950,000) and create suitable environments for childhood development (US\$1,750,000), as limitations currently exist regarding the profile of the human resources MIFAN, MINSA, and MINED have available to provide comprehensive early childhood care, and the equipment and physical conditions in the community centers network. These limitations would not be remedied by the per capita financing amount. A diploma program in early childhood care will be financed, with the aim of closing the existing human resource gaps in the three ministries. Financing will also be provided for minor infrastructure repairs, furniture, and equipment for approximately 200 community centers. Repairs will include ensuring a clean water supply, safe floors and roofs, latrines, and perimeter fencing. Moreover, minor repairs may be made in the early stimulation rooms at health centers. The selection of the universe of centers and educators benefiting from this component will be based on the priority-setting exercise (see paragraph 1.17).
- 1.22 **Component 3. Management, supervision, and evaluation (US\$1.56 million).** The objective of this component is to strengthen the management, supervision, and evaluation mechanisms of the program to support the early childhood policy. The first subcomponent will finance the technical assistance (US\$345,000) and operating costs (US\$40,000) relating to the supervision by technical staff from the departmental delegations looking at the municipios and communities to verify appropriate application of the care protocol. A second subcomponent will finance maintenance of the management information system comprising the three ministries (compatible with the interministerial unified register of beneficiaries, which is in the process of being consolidated) including periodic system updates (US\$250,000).
- 1.23 Lastly, this component will finance a verification report on the coverage reported under Component 1, complemented by an independent annual performance evaluation, conducted by means of surveys and random supervision visits

(US\$350,000); and a program impact assessment. Given that the family-visit mode is being implemented on a larger scale in the country for the first time, generating rigorous contextualized data from the verification reports and evaluations is of particular interest. This will enable the intensity of this benefit to be calibrated and its cost-effectiveness optimized. Recourse to existing welfare system (SNBS) human resources, who will not be paid for the extra workload the home visits represent, could lead to low motivation and high staff turnover. Therefore, the first performance evaluation to be conducted after 12 months, counting from eligibility, will include a measurement of a small number of compliance indicators for the care standards, the results of which will need to be reviewed jointly by the borrower and the Bank, and based on them, adjustments may be made to the design according to the results of the evaluation.

- 1.24 For the impact evaluation, US\$300,000 in technical cooperation funding for the Evaluation of the Impact of PAININ in Rural Areas (ATN/OC-12569-NI) is available to establish the baseline, along with US\$500,000 of the loan resources. Contingencies, dissemination expenses, and financial charges make up the remainder of the US\$20 million of financing.

Table I.1. Summary program budget (US\$)

Description	Local	IDB	Total
Component 1	28,000,000	15,192,046	43,140,066
Component 2	0	2,700,000	2,700,000
Component 3	0	1,565,600	1,565,600
Contingencies	0	142,354	142,354
Financial charges	0	400,000	400,000
TOTAL	28,000,000	20,000,000	48,000,000
Breakdown by source	58%	42%	100.00%

- 1.25 Table I.1 shows the summarized program budget. It does not include the obligation to record the counterpart contributions in the program financial statements, given that the services provided and the per capita amount will be verified periodically, and there will be evidence that the supplementary cost for these services will have been covered with additional resources from the three ministries (see paragraph 1.20). Nevertheless, MIFAN will report execution of treasury resources at the beneficiary municipios annually (see paragraph 2.5).

C. Key results indicators

Table I.2. Summary of the Results Matrix

Impact Indicators*	Baseline		Final target	
	Value	Year	Value	Year
Average score of beneficiary children aged 0-3 on psychomotor development tests (McCarthy scale)	39.05 ¹⁷	2012	39.77**	2015
Average score of beneficiary children aged 3-6 on language-cognitive development tests (Peabody PVT scale)	70.51	2012	71.3**	2015
Chronic malnutrition rate among children aged 6 to 23 months in the target areas	18.4%	2012	15%	2015
Child survival rate of children in third level of preschool in the target areas	20%	2012	65%	2015
% of children aged 0-6 in the target areas with a birth certificate	65%	2012	95%	2015
Midterm results indicators*	Baseline		Final target	
	Value	Year	Value	Year
% of children aged 0-3 three who have received 12 or more visits per standard of care over the last year	0%	2012	80%	2015
% of children aged 3-6 in the target areas enrolled in preschool	30%	2012	50%	2015
% of homes where at least one member has made use of the services included in the referral system in the last six months	N/A	2012	50%	2015
Final results indicators*	Baseline		Final target	
	Value	Year	Value	Year
Family environment quality indicator (HOME score) in homes in the target area with a child aged 0-6	4,018 ¹⁸	2012	3.850	2015
Questionnaire on attitudes, beliefs, and knowledge regarding “parenting skills” ¹⁹	N/A	2012	Basic knowledge on KIDI scale	2015

* The full results matrix envisages the disaggregation of the indicators, particularly the midterm results indicators, by ethnicity, and (where applicable) by gender.

** The increments on the McCarthy and PPVT scales represent an increase of 10% of one standard deviation.

¹⁷ Values reported in the PAININ III monitoring survey, 2010.

¹⁸ Average in control communities on the monitoring survey for the crisis care pilot, 2009 (Macours et al., 2011). Lower values of this index indicate improvements in the quality of the family environment.

¹⁹ The design of this questionnaire will be agreed upon subsequently with the APMC national committee based on successfully applied models, and its instruments will be included as an annex to the Program Operating Regulations—a condition precedent to first disbursement. The basis will be the KIDI questionnaire, which has already been validated in several developed and developing countries.

- 1.26 The impact indicators included in the Results Matrix include the percentage of children in age groups 0-3 and 3-6 with cognitive developmental delays (measured using psychomotor development tests for the first group, and cognitive development tests for the second); an indicator of the quality of the family environment (such as the HOME score), and the rate of chronic malnutrition in the 6-24 month age group. The results indicators include five indicators aiming to measure the coverage and quality of the services delivered to children.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 The program is partly financed by an investment loan of US\$20 million drawn in equal parts from the Ordinary Capital (OC) and the Fund for Special Operations (FSO), supplementing the Nicaraguan government's own resources current allocated to MIFAN as the executing agency, and MINED and MINSA as the providers of child care, estimated at US\$28 million.

B. Environmental and social safeguard risks

- 2.2 Pursuant to the Bank's Environment and Safeguards Compliance Policy (Operational Policy OP-703), the program has been classed as a category "C" operation, given that the investments in physical environments will consist of minor repairs to existing public facilities. The Operating Regulations include the obligation for MIFAN, MINED, and MINSA to enforce environmental management and risk prevention standards in use of the facilities and community repair projects. In terms of social inclusion, vulnerable communities are expected to benefit, some including indigenous populations. The regulations and the program therefore envisage consultation and adaptation of the services with an inclusive, culturally relevant approach, pursuant to policy OP-765.

C. Fiduciary risks

- 2.3 MIFAN is considered a medium-risk executing agency in view of its procurement management experience in Bank projects. This operation envisages a smaller volume of lower-complexity procurement, approximately 25% of the financing total (under program components II and III). Annex III includes the recommendations for procurement by MIFAN. In coordination with the Project Team Leader, the procurement specialist may decide to shorten the time between publication and submission of bids in low-complexity procurement processes.
- 2.4 Financial management was evaluated using the Institutional Capacity Assessment System (ICAS) applied to MIFAN, MINSA, and MINED. MIFAN qualified for ex post disbursement review. However, the executing capacity of the executing agency needs to be enhanced, particularly in terms of control. As regards the subexecuting agencies, MINSA's capacity is similar to that of MIFAN. MINED showed significant weaknesses in the financial administration and control (internal/external) areas. This is added to a lack of familiarity with current policies

and rules for the execution of Bank-funded projects. Thus, for program execution, it is recommended that MIFAN be in charge of administering the Bank's loan proceeds, for which it will hire an implementation support team²⁰ hierarchically assigned to its line structure. The composition, responsibility and profile of this team are described in the Operating Regulations. **As a condition precedent to the first program disbursement, MIFAN will have hired a specialist to support financial-accounting record-keeping and a procurement analyst to join the team. Similarly, all the commitments made in the action plan resulting from application of the ICAS will also have been implemented.** One fiduciary risk of this operation arises from the degree of precision with which the cost of backing the agreed per capita amount may be determined. To mitigate this risk, a detailed cost breakdown of the set of services was contracted as an input (see paragraph 1.19). It is a special contractual condition that the Bank will annually verify the costing parameters, pursuant to the Operating Regulations, to determine the fixed amount per capita financed with resources from Component 1 and, if a significant discrepancy is detected, the amount will be adjusted.

D. Other risks

- 2.5 **Financial sustainability.** The financing mechanism, which envisages a fixed, decreasing per amount child served, partially covering the cost of comprehensive care, will enable mobilization of financing from fiscal sources to targeted municipios and highly cost-effective interventions. The IDB will monitor to ensure that allocations to early childhood increase nationally with respect to 2012 levels. To do so, MIFAN will, as a special contractual condition, be required submit an annual work plan (AWP) before 31 March each year, including the programming of resources for early childhood by the governing entities of the SNBS for the current year, and the execution report of the general state budget for the prior year on comprehensive childhood care, broken down by source, department, and ministry. The impact of the services will be sustained over time only in so far as the public supply of services for the most vulnerable beneficiaries is also sustained. Thus, the fiscal impact, i.e. the public expenditure budget that would need to be mobilized in the future under various coverage scenarios, is analyzed. The most conservative scenario indicates that to finance national level care with coverage achieved in 2015 (including the coverage financed under this program), the National Budget (PGR) would need to assign no less than US\$40.5 million to this care provision in 2015. By comparison, the most ambitious scenario (e.g. 75% of coverage of poor children under 6 in 2020 and 100% of the extremely poor nationwide) would mean a total cost of US\$92.4 million. Based on the upward trend in: (i) the budget of the three social ministries between 2006 and 2012 (69%); and (ii) the share assigned to early childhood within each ministry (particularly in the case of MINED), the most conservative allocation projection stands at US\$89 million in 2015 and at US\$130 million in 2020. Lastly, the projection that applies a year-on-year increase

²⁰ Three technical/operations facilitators will be hired to monitor planning and implementation of the program as liaisons with MIFAN, MINSA, and MINED, respectively.

is 12%, as indicated in the Medium-Term Budget Framework, with resources of US\$210 for early childhood in 2020. This indicates that the fiscal sustainability of the program is within the country's reach (see the [Economic analysis link](#)).

III. IMPLEMENTATION AND ACTION PLAN

A. Summary of implementation arrangements

- 3.1 **Executing agency, program amount, and disbursement period.** MIFAN is the program executing agency, since by legal mandate it is required to facilitate and foster the protection of children and adolescents and provide comprehensive care to families in situations of social risk. MINSA and MINED will participate in execution, in line with their sector mandates for health and education, respectively. The program financing totals US\$48 million, and the disbursement period will be four years from the contract's effective date.
- 3.2 **Procurement.** Bank-financed procurement will be undertaken in accordance with documents GN-2349-9 and GN-2350-9, based on the Procurement Plan, which will be administered through the Procurement Plan Execution System (SEPA), and according to the requirements set out in Annex III. The resources from Component 1 to finance a fixed amount per child served do not envisage the review of procurement processes. The resources from Component 2, concerning infrastructure repair, will be administered by MIFAN and, by their nature, the works envisaged in minor repairs to preschool and early stimulation facilities will be carried out with community participation. MIFAN will be responsible for maintenance. One single source selection process is planned for US\$1 million. According to paragraph 3.10(d) of document GN-2350-9, the single source selection of Universidad Nacional Autónoma de Nicaragua (UNAN) is justified, because it is the only qualified firm, in addition to having experience of exceptional worth for the services, as the only Nicaraguan institution offering a program in early childhood education.
- 3.3 **Financial Management.** MIFAN will use the national SIGFA-PRO²¹ system for the program's financial execution and will receive advances of sufficient amounts to cover project disbursements for a period of up to six months after each advance, as set out in the current financial plan. For the disbursement of resources under Component I, MIFAN will present the detailed expense form with the data for the six agreed upon intervention indicators (see paragraph 3.6) broken down by municipio, applying the portion of the per capita amount corresponding to each intervention. The Operating Regulations will specify the accounting execution and recording procedures for the loan proceeds, centrally by MIFAN and its departmental offices—and also centrally by MINSA and its respective local comprehensive health care systems, including the items, headings, and eligible

²¹ Sistema Integrado de Gestión Financiera y Administrativa-Proyectos [Integrated Financial Management System – Projects].

- activities. The items must be related to the inputs and activities necessary for care for children under six years of age and with the set of agreed interventions.
- 3.4 The IDB will conduct an ex post review of the disbursements, confirming the eligibility of the expenditures incurred with the loan proceeds according to whether: (i) they correspond to items predefined as eligible; (ii) they are recorded under activities and headings predefined as actions associated with child care; and (iii) the municipio in which the expense was incurred is listed in components 1 and 2 as one of those targeted. The financial audit will be annual; its scope will be agreed according to the results of the ICAS assessment, and must at least use a sample to verify the eligibility of the expenses in Component 1 according to these criteria, regardless of the procurement process followed. Moreover, six months after the program is declared eligible, and each subsequent year, the SIGFA accounting records will be used to verify whether the real unit costs of providing the services of child care are consistent with those applied in the costing. If a significant discrepancy is detected, the updated amount per capita will be adjusted and applied in disbursements subsequent to the adjustment.
- B. Summary of monitoring and evaluation arrangements**
- 3.5 **Monitoring.** MIFAN will prepare a semiannual report summarizing the achievements and progress according to the Results Matrix, and the challenges for the next six-month period. This will include an analysis of the possible deviations from the programming reflected in the annual work program and its updates.
- 3.6 To document the services provided and beneficiaries served, MIFAN will report to the Bank using six indicators, broken down by gender and ethnicity, when possible. The indicators are: (i) families with at least one child under six receiving care through family visits or the first annual visit by MIFAN-SNBS; (ii) children aged 0-3 receiving care on a monthly comprehensive development promotion visit by MIFAN-SNBS; (iii) children aged 3-6 years registered with bimonthly development evaluation and preschool care by MINED; (iv) children under one year with a bimonthly Oversight and Promotion of Growth and Development (OPGD) monitoring visit and vaccination according to the comprehensive childhood care standards; (v) children aged 1 to 5 with an OPGD monitoring visit every four months and vaccination according to the comprehensive childhood care standards; and (vi) children aged 5 to 6 receiving semiannual OPGD monitoring visits and vaccination according to the comprehensive childhood care standards. These indicators were taken from the list that MIFAN, MINSA, and MINED systematically monitor or are being created for the national APLMC program; and also represent milestones tracking comprehensive childhood care and are therefore Component 1 output indicators. As part of the semiannual progress report, MIFAN will send the Bank full statistical reports, with a breakdown by municipio.
- 3.7 **Evaluation.** As described in the Monitoring and Evaluation Plan link, the impact assessment aims to address two questions that are raised in the international literature. The first is whether parent education and childrearing support home visits

had an effect on the physical and cognitive development of children in the 0-6 age group. A Discontinuous Regression Design will be used to answer this first question, given the fact that only communities that are in municipios with an extreme adjusted poverty rate (M_0) of over 0.20 are eligible for the program. Therefore, the identification strategy consists of comparing communities in municipios with a poverty rate slightly above 0.20 with communities in municipios with a poverty rate slightly below 0.20. The second evaluation question is whether in kind incentives can help increase the quality of services provided by volunteer educators. To answer this question, communities in which educators are given utensils and benefits in kind (cap, T-shirt, badge, training voucher) to do their work with communities where educators do not receive these incentives. Given the high probability of phased program implementation to cover all educators in the first year, a randomized design will be used to allocate the utensils.

- 3.8 **It will be a condition precedent to the first disbursement that the program Operating Regulations be approved and in effect, and that the firm establishing the baseline for program impact assessment be contracted.**

C. Other matters

- 3.9 **Economic viability.** As described in [Economic analysis link](#), the net present value and cost-benefit ratio were calculated developing three scenarios and considering a conservative discount rate of 12%, yielding a cost-benefit ratio of between 2.09 and 2.49.

Development Effectiveness Matrix			
Summary			
I. Strategic Alignment			
1. IDB Strategic Development Objectives	Aligned		
Lending Program	(i) Lending to small and vulnerable countries, and (ii) Lending for poverty reduction and equity enhancement.		
Regional Development Goals	(i) Extreme poverty rate, (ii) Gini coefficient of per capita household income inequality, (iii) Infant mortality ratio, and (iv) Percent of children under 5 whose birth was registered.		
Bank Output Contribution (as defined in Results Framework of IDB-9)	(i) Students benefited by education projects (girls, boys), (ii) Teachers trained, (iii) Individuals (all, indigenous, afro-descendant) receiving a basic package of health services, and (iv) Persons incorporated into a civil or identification registry.		
2. Country Strategy Development Objectives	Aligned		
Country Strategy Results Matrix	GN-2499	Development of a Welfare System to improve coverage, management of basic social services.	
Country Program Results Matrix	GN-2661	The intervention is included in the 2012 Country Program Document.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)			
II. Development Outcomes - Evaluability	Highly Evaluable	Weight	Maximum Score
	9.1		10
3. Evidence-based Assessment & Solution	9.7	25%	1
4. Ex ante Economic Analysis	8.5	25%	1
5. Monitoring and Evaluation	8.2	25%	1
6. Risks & Mitigation Monitoring Matrix	10.0	25%	1
Overall risks rate = magnitude of risks*likelihood		Medium	
Environmental & social risk classification		C	
III. IDB's Role - Additionality			
The project relies on the use of country systems (VPC/PDP criteria)	Yes	(i) Use of the Naciona System SIGFA (Sistema Integrado de Gestion Financiera y Auditoria), (ii) Use of National System SISCAE.	
The project uses another country system different from the ones above for implementing the program	Yes	A new "Registro Unico Beneficiarios" is being developed. The information and statistics system of MINSA, MINED & MINFA will be also used.	
The IDB's involvement promotes improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality	Yes	The operative rules will establish that household visits take place during weekends so that fathers also participate.	
Labor			
Environment			
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	Technical cooperations: NI-T1116, NI T1082.	
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan.	Yes	The impact evaluation will close gaps in terms of knowledge of how parenting programs and pre-school work in low income counties. Most evidence on both type of programs comes from middle (Jamaica) or upper middle income (Chile, Argentina, Uruguay, colombia) countries. Moreover, this program will inform how best we can motivate volunteer community educators (See "Plan de Seguimiento y Evaluacion").	

The objective of the program is to foster the development of cognitive abilities, affective, motor and social needs of children under 6 years in priority communities. This will be done through intermediate objectives of: (i) sensitize, educate and train parents to facilitate appropriate nutrition, health, education, good treatment, and ensure their active participation in the promotion and enforcement of rights in early childhood, (ii) improve access to early childhood services by populations that are scattered, and (iii) improve the quality of care of public services.

Regarding the diagnosis, it is based on information by UNESCO 2010, the EMNV 2009 household survey, the ENDESA health survey 2007 and some published studies pertinent to the intervention or population. The target population is well identified. The level of empirical evidence of the solution proposed is based on the EMNV 2009 survey and the evaluation to the PAININ III project. The vertical logic is clear, the matrix includes SMART indicators and each one has a source of data stated. A cost-benefit analysis is carried out for the main components of the program and evaluation. The evaluation methodology proposed is a regression discontinuity with data and conditions that meet assumptions to identify program effects. Risks are assessed in the following areas: environment and social safeguards, fiduciary and financial sustainability. Specific actions addressing the identified risks and monitoring mechanisms are proposed.

RESULTS MATRIX

Project objective	The objective of the program is to foster the development of cognitive, emotional, motor, and social skills in children under six years of age in targeted communities. This will be pursued through the intermediate objectives of: (i) raising awareness, training, and educating parents to foster adequate nutrition, health, education, good treatment, and have them actively participate in the promotion and realization of early childhood rights; (ii) improving scattered populations' access to early childhood services; and (iii) improving the quality of care from public services.				
Impact indicators*	Unit of measure	Baseline	Midterm target	Final target (year 4)	Comments
Average score of beneficiary children aged 0-3 years on psychomotor development tests**	McCarthy Scales of Children's Abilities	39.05 (1)	39.25% (2)	39.77(3)	Sources: (1) Baseline data from the PAININ III evaluation. May be adjusted with the evaluation baseline data; (2) external midterm evaluation (18 months); and (3) final evaluation (42 months).
Average score of beneficiary children aged 3-6 years on language-cognitive development tests**	Peabody scale (PPVT III)	70.5(1)	70.9(2)	71.3(3)	Sources: (1) Baseline data from the PAININ III evaluation; (2) external midterm evaluation (18 months); and (3) final evaluation (42 months).
Chronic malnutrition among children aged 6 to 23 months in the targeted area	Child height (length) by age two standard deviations or more below expected height according to international reference population	18.4%(1) ¹	17%(2)	15%(3)	Sources: (1) Baseline data from ENDESA 2006-2007, the data will be revalidated with the baseline data collection; (2) external midterm evaluation (18 months); and (3) final evaluation (42 months).
Child survival rate of children in third level of preschool in the target areas	Enrollment	20%	40%	65%	Sources: (1) Baseline data drawn from Ministry of Education administrative data; (2) external midterm evaluation (18 months); and (3) final evaluation (42 months).

* The indicators marked with an asterisk will be broken down, whenever applicable, by gender and ethnicity. When disaggregation by ethnicity is not possible, an estimate will be made based on ethnicity data available on the municipio of origin of the observations used to construct the indicator.

** The increments on the McCarthy and PPVT scales represent an increase of 10% of one standard deviation, which is a substantial increase in terms of international evidence. As with the information to be made available with the baseline, the percentage of children suffering delays will be calculated.

¹ The national average will be reported, since disaggregation by age for the intervention areas will not be available. However, a specific baseline will be established for the intervention municipios and this "national" baseline will be updated accordingly.

Impact indicators*	Unit of measure	Baseline	Midterm target	Final target (year 4)	Comments
Percentage of children aged 0-6 in the target areas who have a birth certificate	Number of children	65%	80%	95%	Sources: (1) Baseline data from MIFAN administrative data; (2) external midterm evaluation (18 months); and (3) final evaluation (42 months).
Midterm results indicators*		Baseline	Midterm	Final target (year 4)	Comments
Percentage of children aged 0-3 who received 12 or more visits complying with care standards over the last year		0%	60%(2)	80%(3)	Sources: (2) and (3) APLMC program records.
Percentage of children aged 3-6 in the target areas enrolled in preschool		30%	40%	50%	Sources: (1) Baseline data from Verdisco et al. (2009).
Percentage of homes where at least one member has made use of the services included in the referral system in the last six months		N/A	30%(2)	50%(3)	Sources: (2) and (3) APLMC program records and MINSA/MINED/MIFAN referral system and local stakeholders (“Women's Commissariats,” etc.).
Final results indicators*		Baseline	Midterm	Final target (year 4)	Comments
Family environment quality indicator in homes in the target area with a pregnant woman or child aged 0-6 ²	HOME scale score	4,018(1)	3,950(2)	3,850(3)	Sources: (1) Baseline data taken from Macours et al. (2011) data will be revalidated with the baseline data collected; (2) external midterm evaluation (18 months); and (3) final evaluation (42 months).
Questionnaire on attitudes, beliefs, and knowledge regarding “parenting skills” ³		N/A		“Basic” knowledge according to the score on the KIDI scale	

² Scale defined as in Macours et al. (2011). Lower values of this index indicate improvements in the quality of the family environment.

³ The design of this questionnaire will be agreed subsequently with the APLMC national committee based on successfully applied models, and its instruments will be included as an annex to the program Operating Regulations—a condition precedent to first disbursement. It will be based on the KIDI (KNOWLEDGE OF INFANT DEVELOPMENT INVENTORY, 1981) questionnaire, which has already been validated in several developed and developing countries.

Outputs ⁴	Baseline	Year 1	Year 2	Year 3	Final target (year 4)	Comments
Component 1. Comprehensive child care in targeted communities						
(1) Families including at least one pregnant woman and/or child under six with at least one annual visit by MIFAN-SNBS	0	66,500	66,500	66,500	66,500	The indicator will be supported by a unified register of beneficiaries data capture form and consolidated by MIFAN. In all Component 1 indicators the figures are annual; there is no increase in coverage over the course of the program (the final target is cumulative, i.e. the number of active beneficiaries at the end of the program).
(2) Children aged 0-3 years receiving monthly care visits to promote comprehensive development by MIFAN-SNBS	0	40,000	40,000	40,000	40,000	The indicator will be supported by a unified register of beneficiaries data monitoring form and consolidated by MIFAN.
(3) Children aged 3-6 years with bimonthly development assessment and preschool care by MINED	10,000	40,000	40,000	40,000	40,000	The indicator will be supported by a unified register of beneficiaries data monitoring form, provided by MINED and consolidated by MIFAN.
(4) Children aged under one year with monthly OPGD visits and vaccinations according to comprehensive child care standards	5,000	13,300	13,300	13,300	13,300	The indicator will be supported by a unified register of beneficiaries data monitoring form, provided by MINSA and consolidated by MIFAN.
(5) Children aged 1-5 years with OPGD visits every four months and vaccinations according to comprehensive child care standards	5,000	13,300	13,300	13,300	13,300	The indicator will be supported by a unified register of beneficiaries data monitoring form, provided by MINSA and consolidated by MIFAN.
(6) Children aged 5-6 years with semiannual OPGD visits and vaccinations according to comprehensive child care standards	10,600	53,400	53,400	53,400	53,400	The indicator will be supported by a unified register of beneficiaries data monitoring form, provided by MINSA and consolidated by MIFAN.
(7) Children aged 6 to 24 months in targeted areas receiving micronutrients		20%		50%	80%	
Component 2. Improving conditions of care						
(1) Technicians (supervisors) supporting the service completing diploma program	0	500	500		1,000	Cumulative final target

⁴ See costing in Economic link.

Outputs ⁴	Baseline	Year 1	Year 2	Year 3	Final target (year 4)	Comments
(2) Visitors/educators earning diploma to provide care	3,000	4,000	3,000		10,000	Cumulative final target, taking into account the baseline produced by operations NI-L1056 and NI-0155
(3) Community centers refurbished as community preschool facilities (with access to safe water and latrines)	0	100	10		200	
Component 3. Management strengthening and program operation						
(1) Semiannual verification reports delivered	0	2	2	1	5	Cumulative target, 2.5 years, i.e. 5 six-month periods of care envisaged
(2) Monthly progress reports from APLMC municipal committees delivered	0	480	480	480	1,680	Cumulative target, monthly reports from 40 committees over 4 years
(3) Active users of unified register of beneficiaries registered	0				190	Cumulative target
(4) Annual performance assessment reports delivered	0				4	Cumulative target
(5) Impact assessment reports delivered	0	1		1	3	Cumulative target

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country: Nicaragua

Project number: NI-L1059

Name: Program to Support Implementation of the National Early Childhood Policy in Targeted Communities

Executing agency: Ministry of the Family, Adolescents and Children (MIFAN)

Prepared by: Brenda M. Alvarez Junco; Fiduciary Specialist in Procurement (FMP/CNI) and Juan Carlos Lazo; Senior Fiduciary Specialist in Financial Management (FMP/CNI).

I. EXECUTIVE SUMMARY

- 1.1 The fiduciary management assessment was undertaken based on the Institutional Capacity Assessment Report on Procurement and the Institutional Capacity Assessment System (ICAS) applied to the Ministry of the Family (MIFAN), the Ministry of Health (MINSA), and the Ministry of Education (MINED).
- 1.2 The state of Nicaragua's fiduciary management of procurement matters is improving. However, various actions are needed to make it compatible with international best practices and consistent with Bank policies. MIFAN has experience executing Bank-financed projects, and is currently executing operations 2468/BL-NI and 2264/BL-NI. MIFAN's financial management qualifies it for ex post review of disbursements. However, the execution capacity of the executing agency needs to be strengthened, particularly in the area of control. In terms of the ministries associated with execution, MINSA's capacity is similar to that of MIFAN. However, MINED's capacity is less robust. It was therefore recommended that its role in execution be limited to the local level and coordination of technical issues, leaving MIFAN with fiduciary responsibility for handling resources and procurement of services associated with preschool care.
- 1.3 The project does not include funding from other multilateral agencies.

II. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

- 2.1 MIFAN is an institution with procurement experience in the execution IDB projects. MIFAN's procurement unit comprises an area manager and three purchasing analysts, who manage purchasing by source of funding. For the execution of IDB-financed procurement processes, an experienced individual consultant has been hired. However, in view of the increase in workload, the area needs to be bolstered with an additional specialist for Bank operations.
- 2.2 In terms of financial management, both MIFAN and MINSA staff have experience executing IDB projects. Financial matters have been handled in an orderly, efficient

manner during execution. MINED lacks recent experience executing Bank-financed operations, but will not have fiduciary responsibilities. The Bank will support the executing agency to enhance control aspects to ensure and improve the operation's financial management.

III. FIDUCIARY RISK EVALUATION AND MITIGATION MEASURES

Procurement management

- 3.1 In recent months an increase in the workload at both institutions has been identified; for this reason the following recommendations have been made: (i) to extend the contract for the procurement specialist hired for Bank-financed projects; and (ii) as a condition precedent, to have MIFAN hire a specialist to support financial accounting records and a procurement analyst with a profile recommended by the Bank to strengthen the Procurement Division. As regards internal process management, it is important that MIFAN reduce the time taken to manage domestic procurement processes. The administration of procurement planning through the Procurement Plan Execution System (SEPA) needs to be improved. The person responsible for SEPA will be provided with ongoing advisory support and monitoring.

Financial management

- (i) The staff of the financial unit should attend a training session on Bank policies and procedures applicable to this type of process prior to the commencement of operation execution. This training will be delivered by the Bank's financial management team.
- (ii) MIFAN and MINSA undertake to fulfill the actions agreed in the ICAS strengthening matrix.

IV. CONSIDERATIONS FOR THE SPECIAL CONDITIONS OF THE CONTRACT

- 4.1 In order to streamline project team negotiations, and in particular those of the Legal Department, the following Agreements and Requirements should be considered in the Special Conditions:
- a. The agreement should include the requirement that MIFAN hire a specialist to support financial accounting records and a procurement analyst as a condition precedent to the first disbursement.
 - b. It is recommended that the exchange rate in effect in the borrower's country on the date the funds are converted to Córdobas by the executing agency be used, in order to eliminate exchange-rate losses.
 - c. Procurement governed by Bank documents GN-2349-9 and GN-2350-9.
 - d. Limits regarding international publicity for works, goods, nonconsulting services, and consulting services consistent with the country limits established by the Operations Financial Management and Procurement Services Office (VPC/FMP).

- e. Oversight of procurement in a mixed ex ante and ex post system, defined according to an institutional capacity assessment on procurement conducted for the executing agency and adjustable to Bank criteria, based on the results observed.
- f. Initial Procurement Plan prepared jointly with the Bank. Once the operation has been approved, the first Procurement Plan will be prepared using SEPA.
- g. Ex post review of disbursements with an initial frequency of 6 months.
- h. Except under special circumstances, and with the Bank's prior authorization, direct payments will not be made to suppliers into bank accounts in Nicaragua, in view of the country's lack of a legal framework to process them.

V. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

- 5.1 **Procurement execution.** Project procurement will be conducted pursuant to the Bank's "Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank" (document GN-2349-9) and "Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank" (document GN-2350-9), and executed under the responsibility of MIFAN, as the executing agency. As stated in point 5.8, although MINSA and MINED will participate in service provision in a technical capacity, they will not undertake Bank-financed procurement processes in this operation.
- 5.2 **Procurement of works, goods, and nonconsulting services.** Contracts for works, goods, and nonconsulting services¹ arising as a result of the program and subject to international competitive bidding (ICB) will conform to the standard bidding documents issued by the Bank. Bidding procedures subject to National Competitive Bidding (NCB) will use national competitive bidding documents agreed in advance with the Bank.
- 5.3 **Procurement with community participation.** At the time of drafting this document, community participation is envisaged to execute minor work to improve community centers as part of the project's Component 2. This will be done in accordance with the following procedure: MIFAN will be responsible for procuring the materials to be used in the works, as provided in this annex. More specifically, in coordination with the communities, MIFAN, and as applicable, MINED and MINSA, will form the community work brigades for execution of the works. MIFAN will conduct monitoring of the works done by the community, in coordination with MINED or MINSA, as the case may be. The details of this procedure will be set forth in the Operating Regulations.
- 5.4 **Selection and contracting of consultants.** Consulting services contracts arising under the program will be listed in the initial procurement plan and executed using the standard request for proposals issued by the Bank or agreed with it (or satisfactory to the Bank if not agreed to date).

¹ Pursuant to the IDB's procurement policies, nonconsulting services will be treated similarly to goods.

- a. **Selection of consulting firms.** The program will use the Standard Request for Proposals issued by the Bank in the selection process.
 - b. **Shortlist of consulting firms.**² In the case of contracts for a value of less than US\$200,000, this list may be entirely (100%) made up of national firms.³
 - c. **Selection of individual consultants.** Individual consultants will be selected based on their qualifications for the job, after a comparison of at least three candidates. The project sector specialist will be responsible for reviewing the terms of reference for the contracting of consulting services. Local or international advertisements may be required in order to draw up a shortlist of qualified individuals for the hiring of individual consultants. Direct contracting is not envisaged for individual consultants.
 - d. **Training.** At the time of drafting this annex, the project team envisaged the potential direct contracting of Universidad Autónoma de Nicaragua (UNAN), which is specialized in training for comprehensive child care. In accordance with paragraph 3.10(d) of document GN-2350-9, the single source selection of UNAN is justified since it is the only qualified firm, in addition to having experience of exceptional worth for the services as the only Nicaraguan institution offering an early childhood education diploma program. The procedure to follow will be conducted pursuant to Bank documents and procedures.
 - e. **Financial audits.** To be selected using quality-and cost-based selection (QCBS).
- 5.5 **Recurring expenses:** N/A
- 5.6 **Advance procurement/Retroactive financing:** At the time of drafting this annex, no retroactive financing had been defined.
- 5.7 **National preference:** N/A
- 5.8 **Others:** It is envisaged that part of the resources of this operation will be executed through the mechanism for the recognition of financing per child served, in accordance with the model agreed by the Bank and MINSA under the Improving Family and Community Health in Highly Vulnerable Municipios (NI-L1054) operation.

² Pursuant to section V of the Bank's policies for the selection and contracting of consultants, individual consultant selection will not require the use of a shortlist or standard request for proposals.

³ Foreign firms will not be prevented from participating.

Table of Thresholds (US\$ thousands)

Works			Goods ⁴			Consulting	
International competitive bidding	National competitive bidding	Shopping	International competitive bidding	National competitive bidding	Shopping	International publicity for consulting	100% national shortlist
> 1,500	< 1,500 > 150	< 150	> 150	< 150 > 25	< 25	> 200	< 200

Main Procurement Items / Initial Procurement Plan

Description of planned procurement	Estimated amount US\$ thousands	Procurement method	Prequalification Yes/No
Goods			
Furniture / computer hardware / office supplies	30,000	S	NO
Equipment for educators and field technical staff	10,000	S	NO
Teaching materials	50,000	S	NO
Services			
Training on comprehensive child care	1,000,000	SSS	NO
Firms			
Performance evaluation	500,000	QCBS	NO
Impact assessment	80,000	QCBS	NO
Auditing	180,000	QCBS	NO
Individuals			
Supervision technician	80,000	NICQ	NO
Educators	70,000	NICQ	NO
Procurement analyst	30,000	NICQ	NO
Accounting support	30,000	NICQ	NO
Systems engineer	20,000	NICQ	NO
Programming engineer	20,000	NICQ	NO

* To access the 18 month procurement plan, click [here](#).

5.9 Procurement supervision. Ex ante or ex post revision should be determined for each selection process.⁵ Ex post reviews will take place every six months in accordance with the project's supervision plan. Ex post review reports will include

⁴ Includes nonconsulting services.

⁵ The methodology described in document on [ex post procurement guidelines](#) will be used.

at least one physical inspection visit,⁶ selected from the procurement processes subject to ex post review. No less than 10% of reviewed contracts should be physically inspected.

Expense category	Amount in US\$ thousands	Procurement method	IDB review
Works	> 1,500	ICB	Ex ante for all processes
	< 1,500 > 150	NCB	Ex ante for all processes
	< 150	S	Ex post for all processes
Goods	> 150	ICB	Ex ante for all processes
	< 150 > 25	NCB	Ex ante for all processes
	< 25	S	Ex post for all processes
Nonconsulting services	> 150	ICB	Ex ante for all processes
	< 150 > 25	NCB	Ex ante for all processes
	< 25	S	Ex post for all processes
Consulting firms	> 200	International shortlist	Ex ante for all processes
	< 200	National shortlist	
Individual consultants	See Policy GN-2350-9 Section V		Ex post for all processes

- 5.10 **Records and files.** A specific area must be set aside for the safekeeping of documents and to ensure that documentary evidence of payments made to suppliers and contractors is recorded in the files. The physical file must be kept for a period of seven years.

VI. FINANCIAL MANAGEMENT

- 6.1 **Financial management system.** The operation will use the Integrated Financial and Administrative Management System – Projects (SIGFA-PRO) finance/accounting system for financial management. It is assumed that if any changes or improvements are made in the SIGFA project administration module, the operation would also automatically migrate to this change or improvement. MIFAN must undertake to use the SIGFA-PRO system appropriately, and not merely as a reporting system.
- 6.2 **Disbursements and cash flow.** The operation will have two dedicated accounts for handling funds, one at MIFAN as the executing agency and the other at MINSA to receive resources for the funding of Component 1. Funding will be provided in the form of advances to cover the liquidity needs over the subsequent six months.
- 6.3 The executing agency must have a financial plan, which must be aligned with the execution and procurement plans.

⁶ The inspection will verify the existence of procurement, leaving verification of quality and compliance with specifications to the sector specialist.

- 6.4 **Accounting and financial reports.** Audited financial reports will be required, pursuant to the Bank's guidelines and policies.
- 6.5 It is estimated that the cost of audit services for this operation will be between US\$180,000 and US\$220,000 and will be financed from IDB funds.
- 6.6 The operation includes: (i) a performance evaluation which will assess technical considerations; (ii) a preliminary, unaudited financial execution report as part of the semiannual progress report; (iii) a report on the findings of the sample verification for eligibility of the expenditures financed with resources for the program's Component 1; and (iv) as part of the report justifying the use of the loan proceeds for the program's Component 1, the absolute number of services provided, broken down by municipio for the period reported, with the six indicators referred to in paragraph 1.19 of the loan proposal.
- 6.7 **Internal control and internal audit.** The executing agency and MINSA (which will receive the resources from Component 1) have internal audit units and mechanisms in place to maintain an acceptable internal control environment. However, not all these units' guidelines are complied with in practice.
- 6.8 **External account control and financial reports.** There are no changes with respect to what has been agreed in previous loans to this executing agency.