

1. Project Data:		Date Posted : 04/13/2011	
PROJ ID : P078891		Appraisal	Actual
Project Name : Public Sector Technical Assistance Project	Project Costs (US\$M):	29.5	41.8
Country: Nicaragua	Loan/Credit (US\$M):	23.5	23.0
Sector Board : PS	Cofinancing (US\$M):	13.1	12.8
Sector(s): Central government administration (100%)			
Theme(s): Administrative and civil service reform (29% - P) Public expenditure financial management and procurement (29% - P) Participation and civic engagement (14% - S) Poverty strategy analysis and monitoring (14% - S) Law reform (14% - S)			
L/C Number: C3877			
	Board Approval Date :		03/25/2004
Partners involved :	Closing Date :	06/30/2008	12/03/2009
Evaluator :	Panel Reviewer :	Group Manager :	Group :
George Polenakis	Gita Gopal	Ismail Arslan	IEGCC

2. Project Objectives and Components:

a. Objectives:

As per the PAD (p.7) the Public Sector Technical Assistance Credit (PSTAC) aimed at strengthening Nicaragua's public sector's capacity to develop and implement public policies in order to increase overall effectiveness, efficiency and transparency in the use of public resources and, in particular, to ensure the implementation of the Poverty Reduction Strategy . The PSTAC also sought to support the government's efforts to address and further reduce corruption by promoting good governance and institutional development .

The Development Credit Agreement (Schedule 2, p.16) outlines the PDOs slightly better and therefore this Review will use these objectives as reference :

- strengthening the public sector's capacity to develop and implement public policies in order to increase overall effectiveness, efficiency and transparency in the use of public resources and, in particular, to ensure the implementation of Nicaragua's PRSP;
- promoting good governance and institutional development in order to promote transparency and combat corruption within its public sector.

The project sought to build on progress made by previous technical assistance operations, in three areas :

- Public expenditure management and accountability : the PSTAC would: (i) complete the implementation and expansion of the integrated financial management system; and (ii) strengthen government's capacity vis-à-vis fiscal policy formulation, implementation, and monitoring capacities .
- Civil Service and administrative reform: the PSTAC would (i) advance in the implementation of the civil service law; and (ii) support institutional reforms geared to improve public services delivery .
- Strategic planning and monitoring, the PSTAC would strengthen the government 's capacity to plan, monitor and evaluate medium term public expenditures in an open and transparent manner by enhancing its capacity to (i) continuously develop and improve the poverty reduction strategy and implement mechanisms to improve donor coordination; (ii) strengthen and expand the public investment system; (iii) monitor and evaluate the PRSP implementation; and (iv) encourage good governance by enhancing civic participation in public policy formulation, budgeting, and evaluation .

b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Components (or Key Conditions in the case of DPLs, as appropriate):

The PSTAC contains 3 components (in addition to the standard Project Management component):

1. Strengthening of Fiscal and Financial Management (planned Bank financing: US\$13.4m, projected co-financing: US\$6.2 m, actual financing: US\$21.0 m). This component aimed to complete the implementation and expansion of the country's integrated financial management system; and to strengthen government 's capacity vis-à-vis fiscal policy formulation, implementation, and monitoring capacities . Its subcomponents would support:

Consolidation and Extension of the Integrated Financial Management and Audit System (SIGFA). Additional systems related to public procurement, human resources, debt management and public investments would be developed and integrated into a single information platform that would ensure the consistent and timely generation of relevant information . The system would simultaneously be de-concentrated throughout the central government.

Fiscal Policy Formulation. PSTAC would provide the Fiscal Advisory Unit (OAFE) of the Ministry of Finance support to improve the management and transparency of public resources and to strengthen the central government's fiscal position especially by improving revenue generating mechanisms, rationalizing public spending, and introducing new public expenditure management regulations to ensure adequate medium -term fiscal performance and pro-poor macroeconomic policies .

2. Public Administration Reforms (planned Bank financing: US\$6.7m, projected co-financing: US\$3.5m, actual financing: US\$8.6m). This component was designed to support government efforts to advance in the implementation of the civil service law; and to support institutional reforms geared to improve delivery of public services . Its subcomponents would support:

Implementation of the Civil Service Law. Introduction of a merit- and performance- based human resource management system, which would gradually eliminate the discretionary nature of prevailing human resource recruitment, promotion, and dismissal practices throughout the public sector . Furthermore prevailing salary inequalities within the public sector would be addressed .

Institutional Reform. Improvements in both the effectiveness and efficiency of public service delivery and coverage.

3. Strengthening of Participatory Public Policy Planning and Monitoring (planned Bank financing: US\$6.0m, projected co-financing: US\$1.9m, actual financing: US\$8.0m). This component would strengthen the government's capacity to plan, monitor and evaluate medium term public expenditures in an open and transparent manner by enhancing its capacity to continuously develop, improve and monitor the Poverty Reduction Strategy and implement mechanisms to improve donor coordination; strengthen and expand the public investment system; and encourage good governance by enhancing civic participation in public policy formulation, budgeting, and evaluation . Its subcomponents would support:

Enhancing the Strategic Planning capacity. Improvement of strategic planning (NDP, PRSP) and strengthening of selected sector ministries' capacity to prepare and implement Sector Wide Approaches (SWAs).

Strengthening of the Public Investment System. Strengthening and expansion of the government's ability to manage its public investment program coupled with a unified information system to improve the coordination and alignment of donor funding to this program.

Development and implementation of the monitoring and evaluation system. Provide SECEP (Secretaria de Coordinación y Estrategias de la Presidencia) with technical assistance, IT, equipment, and training to: (i) enhance the monitoring and evaluation system of the PRSP and the NDP; (ii) design monitoring indicators and strengthen the government agencies and units in charge of providing source data for their computation; (iii) elaborate and disseminate the PRSP annual progress reports; and (iv) conduct analytical work to evaluate poverty and social impact of certain public policies and programs under the PRSP.

Good Governance and Civic Engagement. This subcomponent would assist the government in implementing a public sector reform and PSRP communication strategy and in promoting the sustainable participation and engagement of civil society in designing and monitoring public policies. It would also contribute to building the necessary constituency around such public policies and reform processes.

Project Management Unit (estimated cost: US\$2.0m projected co-financing: \$0.4m, actual cost: \$3.7m): This component would provide the government with the capacity necessary to oversee and coordinate project components and activities as well as co-funding from other donors.

Additional project costs include estimated physical and price contingencies: US\$1.2m and projected contingencies: US\$0.5)

d. Comments on Project Cost, Financing, Borrower Contribution, and Dates:

The project started with a planned cost of US\$29.5m (PAD p.51), with the Bank contributing US\$23.5m to the total cost. The Nicaraguan government was expected to contribute an additional US\$6m. In 2005 a multi-donor Trust Fund was set up to co-finance the PSTAC (original amount: US\$13.13m). About US\$23m of the Bank financing was disbursed, while 0.7m US\$ was cancelled. The Nicaraguan government contributed US\$5.9m and the multi-donor Trust Fund US\$12.9m (i.e. US\$0.22m remained undisbursed). (There is a discrepancy between ICR data and the project database on the Trust Fund contribution: ICR reports original projected co-financing US\$12.5m and actual US\$12.4m (p.29), while the project database reports original co-financing US\$13.13m and disbursed US\$12.9.)

In 2006 budget constraints reduced absorption rates. In 2007 a new Government took office and confirmed commitment to support the PSTAC's PDOs, but expressed intention to review some of the implementation arrangements for the project and therefore requested additional time for the transition process. This slowed-down PSTAC's implementation. The delays in implementation continued until 2008 at which point the closing date was deferred to December 31st 2009. The co-financing trust fund extended its operation until June 30, 2010.

3. Relevance of Objectives & Design:

Relevance of Objectives (Substantial). PSTAC's objectives remain relevant for the Bank, to date. The latest Bank's Country Partnership Strategy (CPS 2008-2012) still identifies governance and institutional capacity as target areas for improvement in the battle against poverty.

The project development objectives were originally aligned with government's priorities and were totally in line with the Poverty Reduction Strategy objectives. The project, therefore, enjoyed strong country ownership and commitment for its implementation. The new government that assumed power in 2007 upon the election of President Ortega had different priorities which would affect various aspects of the project. The new priorities were never reflected in the objectives. The objectives of component 3 "Strengthening of Participatory Public Policy Planning and Monitoring" were not supported by the new administration.

The Nicaraguan government is still committed to improving governance and institution building, while PFM is in the forefront. The government is in the process of seeking IDA and other donor support to finance a next phase operation: the Public Financial Management Modernization project (PFMMP), which aims to support an expanded and deepened public resource management system and fully integrate public financial management,

procurement and human recourse management in the public sector . Furthermore the government has expressed its intention to expand on the development of a merit -based civil service regime .

The Bank's current Country Partnership Strategy (CPS 2008-2012) concurs that weak governance is a cross cutting theme that critically impacts the development process in the country . The Bank sustains ongoing dialogue with the government on public sector reform and governance and offers relevant AAA .

The international donor community is nowadays targeting PFM improvement in Nicaragua . Fiscal Management and Civil Service Reform are also on their priority list .

Relevance of Design (Modest) This project's design was very ambitious . It supported a wide array of outcomes, some of which were unlikely to be achieved given limited resources and weak administration . Public administration reform posed a challenge to this transitional country . The disparate selection of goals set for the large thematic area related to participatory monitoring and evaluation stretched the implementing ability of the borrower .

4. Achievement of Objectives (Efficacy):

Moderate progress has been achieved on public sector reform, yet the project contributed positively in the advancement of all three focal areas . The interruptions in implementation following change of administration taxed efficacy further .

1. Strengthening of Fiscal and Financial Management (Substantial)

The country's integrated financial and administrative management system (SIGFA), although not yet complete, witnessed notable progress during project implementation . SIGFA is used to formulate the budget within the Ministry of Finance, while a public investment module has been refined and linked to SIGFA . Similar progress has been achieved in the HRM and public procurement systems which are however, not interoperable with SIGFA yet .

The project also supported the Office of Fiscal and Economic Affairs (OAFE) by funding salaries and related TA needs, with the aim to strengthen its capacity vis -à-vis fiscal policy formulation, implementation, and monitoring. It is reported that substantial capacity developed in the OAFE (ICR p. 14), which in turn strengthened the Ministry's ability to plan, implement and oversee fiscal policy .

2. Effective Public Administration Reforms (Substantial)

Although important progress was made in the implementation of the civil service law - especially in the area of staffing, organizational, legal and information technology base for managing the government's human resources (analysis, description, and appropriate salary estimations by position in up to 49 agencies; review and full or probationary accreditation of nearly 13,000 civil servants; adoption of a unified salary structure in 18 central government agencies; considerable progress in the design and partial installation of an integrated human resources management information system including the development of 11 specialized modules and the installation of the personnel registration module in 24 government agencies) - sustainability of the outcome remains questionable .

Much less advance was achieved in improving the effectiveness and efficiency of public service delivery and coverage. This component was not undertaken due to the intervention of other priorities (ICR p.15). A highly ambitious effort to reduce current expenditures and improve public perception did not produce relevant evidence. Similarly the Office of Public Administration (which was established in 2005) never really got off the ground and the effort was ended by the current administration . Thus the good intention of building up a line agency to lead the public sector reform failed .

3. Strengthened Participatory Public Policy Planning and Monitoring (Modest)

This objective materialized only partly mainly because the new government shifted priorities (PSRPs were replaced by more elaborate and detailed National Human Development Plans monitored only by the government). The transformation process delayed activities in enhancing government's capacity to improve the PRS process and undermined achievement of relevant objectives .

Similar fate faced the effort to incorporate monitoring and evaluation practices in order to improve the formulation of public policies, streamed through SECEP; and the effort to encourage good governance by enhancing civic participation in public policy formulation .

Only one component out of four, leading to the realization of this objective (i.e. strengthening of a national public investment system), demonstrated some progress through strengthening the Directorate of Public Investment within SECEP with training, procedural reforms and information technology, resulting in an improved public investment system that plans, monitors and implements public investments better (ICR p.16).

5. Efficiency (not applicable to DPLs):

There are no data on efficiency in the ICR. The only fact that may be pertinent to efficiency (or lack thereof) is that the unit cost of consultants used, was relatively high; The reason being that all the donors operating in the country were offering high rates to attract quality consultants thus pushing consultant fees upwards .

a. If available, enter the Economic Rate of Return (ERR)/Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation :

	Rate Available?	Point Value	Coverage/Scope*
Appraisal	No		
ICR estimate	No		

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome:

Relevance was undermined by overly ambitious project objectives and hampered by the new government's shifting priorities, while efficiency has not been rated . The project achieved several objectives and contributed towards finalizing the public financial management system (covering the budget, cash management and accounting); improving the areas of public procurement, credit asset management, public investment and fiscal policy execution; building a fiscal assessment capacity within the Finance Ministry; and preparing a medium term budget framework. However, one of key objectives related to Public Administration Reform and Participatory Public Policy and Planning was not fully realized .

a. Outcome Rating : Moderately Satisfactory

7. Rationale for Risk to Development Outcome Rating:

The development outcome at this stage varies by component . Successful components of this project do not appear to encounter imminent threat to their sustainability and thus the development outcome is relatively safe . Probable risks include the country's vulnerability to exogenous economic factors and natural disasters . The more prominent risk, however, emanates from changes in political will . The Ortega administration demonstrated commitment to many of the project's objectives .

The staff of the Ministry of Finance as well as financial officers in all of the central government use extensively the public financial management system (SIGFA) and the strengthened Public Investment System (SNIP) which tracks physical progress of infrastructure projects and operates in parallel with SIGFA . Furthermore the government recognizes its usefulness and requested a follow-up operation .

Capacity built in OAFE (now Office of Economic Studies) for fiscal policy formulation, created a credible counterpart that interacts with IMF and the Bank effectively . The unit is secure under the new administration .

Progress in the implementation of the civil service law faces higher risk . The accreditation process of civil servants has already ceased without continued Bank support, while fiscal constraints affect negatively the effort to address uneven compensation plans among civil servants .

a. Risk to Development Outcome Rating : Moderate

8. Assessment of Bank Performance:

Quality at Entry : Good preparatory work, effective country dialogue and earlier adjustment operations ensured in depth knowledge of the local environment; government cooperation, commitment and buy-in; and previous experience - qualities that could ensure excellent quality at entry . Yet the project had disparate and ambitious set of goals that were excessive for the capacity of the counterpart . The number of contemplated activities, beneficiary agencies, complexity of procurement, extent of performance indicators, breadth of reforms being undertaken, ambitiousness of the goals and entry to participatory monitoring and evaluation would have stretched the abilities of any IDA borrower .

Quality of Supervision : During implementation the Bank provided appropriate quality of staff for supervision,

of required expertise, and frequently coordinated and fully cooperated with both governments . Yet it did not take timely actions to revise the PDOs and/or performance indicators to reflect evolving circumstances and changes in the shifting priorities of the new government . As a consequence some components performed poorly, while the government did not see itself responsible for pursuing activities it had clearly indicated were not its priorities.

a. Ensuring Quality -at-Entry:Moderately Satisfactory

b. Quality of Supervision :Moderately Satisfactory

c. Overall Bank Performance :Moderately Satisfactory

9. Assessment of Borrower Performance:

Government Performance : The government undertook a complex reform program in a difficult environment . All administrations manifested commitment to the objectives throughout the life of the project . The government bears however responsibility for not seeking a formal adjustment of the project's objectives when it shifted priorities.

Performance of the Implementation Agency : The project's implementation unit (UCRESEP) successfully managed the project's finances, procurement, and overall administration . During the second half of the project's life implementation was transferred to the Finance Ministry's Financial Administration Directorate . It managed successfully the sub-components related to strengthening macro-fiscal capacity, developments of the medium term budget framework, and civil service; yet not as successfully the activities related to public administration reform ,strategic planning, monitoring and evaluation, and good governance .

a. Government Performance :Moderately Satisfactory

b. Implementing Agency Performance :Moderately Satisfactory

c. Overall Borrower Performance :Moderately Satisfactory

10. M&E Design, Implementation, & Utilization:

Design

M&E design was well developed . A comprehensive set of performance indicators was developed along with plans for baseline surveys and assessments . This was one of the first projects to reach the Board with a full Results Agenda and at the time was praised by some of its members for the attempt to quantify targets and bring greater specificity to a technical assistance operation .

Implementation

The PCU was monitoring closely the project's progress during the first phase . It did not conduct however the needed baseline surveys and assessment for some performance indicators and thus undermined any quantitative judgement on progress .

Utilization

Such a tight monitoring system proved to be both impossible to implement and irrelevant to the project 's needs. Internal reporting proved cumbersome . Down the road some indicators were dropped . During mid-term review and when the new government took office a new set of indicators has been chosen to reflect the new reality of the project. However the government never got to formally request this change of indicators .

a. M&E Quality Rating : Modest

11. Other Issues (Safeguards, Fiduciary, Unintended Positive and Negative Impacts):

No fiduciary- or safeguard-related issues are reported for this project .

- Satisfactory financial management capacity and systems were inherited from the preceding EMTAC . Audits were compiled on time and did not highlight any significant irregularities .

- The ICR reports that efforts within the Government Ethics Office (funded in part by the project) contributed to the passage of the country's first Freedom of Information legislation .

12. Ratings :	ICR	IEG Review	Reason for Disagreement / Comments
Outcome:	Moderately Satisfactory	Moderately Satisfactory	.
Risk to Development Outcome:	Significant	Moderate	The text in the ICR concurs with the review on the rating, while the rating itself is ambiguous.
Bank Performance :	Moderately Satisfactory	Moderately Satisfactory	.
Borrower Performance :	Moderately Satisfactory	Moderately Satisfactory	.
Quality of ICR :		Satisfactory	.

NOTES:

- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
- The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate .

13. Lessons:

The ICR offers thoughtful lessons with most of which this review is in accord :

1. Focused operations limit the complexity of implementation for the borrower and of supervision for the Bank, and are more prone to succeed .
2. Realistic PDOs are imperative for project design .
3. Institutional capacity building in particular and improved governance, are long term processes, to which projects only partially contribute . It is important to maintain the relevant thrust with repeated, consecutive actions.

14. Assessment Recommended? Yes No

15. Comments on Quality of ICR:

The ICR is comprehensive, well structured and well written . It gives a clear picture of the design and implementation. The evidence it provides is overall inclusive and thorough . The ICR contains enough information to make a clear case for its review and is overall considered satisfactory .

a. Quality of ICR Rating : Satisfactory