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Report No: 56243-NI

PROJECT APPRAISAL DOCUMENT

PROPOSED CREDIT

IN THE AMOUNT OF SDR 12.8 MILLION
(US$19.5 MILLION EQUIVALENT)

TO THE

REPUBLIC OF NICARAGUA

FOR A

SOCIAL PROTECTION PROJECT

December 23, 2010

Human Development Department
Central America Country Management Unit
Latin America and the Caribbean

This document is being made publicly available prior to Board consideration. This does not imply a presumed outcome. This document may be updated following Board consideration and the updated document will be made publicly available in accordance with the Bank's Policy on Access to Information.

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CURRENCY EQUIVALENTS
(Exchange Rate Effective December 20, 2010)

Currency Unit	=	Cordobas
21.85	=	US$1
US$	=	SDR 1.525

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

CCT	Conditional Cash Transfer
CPS	Country Partnership Strategy
DGAF	General Directorate of Administration and Finance (*Dirección General de Administración y Finanzas)*
FIP	Family Improvement Plan
GDP	Gross Domestic Product
GoN	Government of Nicaragua
ICT	Information, Communication and Technology
IDB	Inter-American Development Bank
IFR	Interim Financial Reports
IPP	Indigenous Peoples Plan
LAC	Latin America and the Caribbean
MDG	Millennium Development Goals
M&E	Monitoring and Evaluation
MIFAN	Ministry of the Family, Youth and Children (*Ministerio de la Familia, Adolescencia y Niñez*)
MINED	Ministry of Education
MINSA	Ministry of Health (*Ministerio de Salud*)
MIS	Management Information System
MOH	Ministry of Health
NHDP	National Human Development Plan
ORAF	Operational Risk Assessment Framework
PAININ	Comprehensive Child Care Program *(Programa de Atención Integral a la Niñez Nicaraguense)*
PDO	Project Development Objectives
PINE	Integral School Feeding Program (*Programa Integral de Nutrición Escolar*)
PRAMS	Procurement Risk Assessment and Management System
SIGFAPRO	Integrated Financial Management System
UNICEF	United Nation's Children Fund

Regional Vice President:	Pamela Cox
Country Director:	Laura Frigenti
Sector Director:	Keith Hansen
Sector Manager:	Helena Ribe
Co-Task Team Leaders:	Theresa Jones and Miriam Montenegro

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PAD DATA SHEET

Republic of Nicaragua
Social Protection Project

PROJECT APPRAISAL DOCUMENT

Latin America and the Caribbean
LCSHS

Date: December 23, 2010 Country Director: Laura Frigenti Sector Director: Keith Hansen Sector Manager: Helena Ribe Team Leader(s): Theresa Jones and Miriam Montenegro Project ID: P121779 Lending Instrument: Specific Investment Credit	Sector(s): Other social services (100%) Theme(s): Social safety nets (100%) EA Category: C Risk Rating: Medium-I

Project Financing Data:

Proposed terms: Standard IDA credit with a service fee of 75 basis points, calculated on the disbursed and outstanding balance of the IDA Credit. The debt service payment dates will be on the 15th of February and the 15th of August of each year, payable in 40 years, including a 10-year grace period.

[ ] Loan [X] Credit [ ] Grant [ ] Guarantee [ ] Other:

Source	Total Amount (US$M)
Total Project Cost:	19.5
Cofinancing:	
Borrower:	
Total Bank Financing:	19.5
IBRD	
IDA	
New	19.5
Recommitted	

Borrower: Government of Nicaragua, Ministry of Finance

Responsible Agency: Ministry of the Family, Youth and Children (MIFAN)

Contact Person: Marcia Ramírez, Minister of the Ministry of the Family, Youth and Children
Telephone No.: (505) 2278-1843
Fax No.: (505) 2278-1620
Email: mramirez@mifamilia.gob.ni

Estimated Disbursements (Bank FY/US$ m)						
FY	2011	2012	2013	2014	2015	2016
Annual	1.0	4.7	5.7	5.3	2.2	0.6
Cumulative	1.0	5.7	11.4	16.7	18.9	19.5

Project Implementation Period: March 31, 2011- March 31, 2015
Expected effectiveness date: March 31, 2011
Expected closing date: September 30, 2015

Does the project depart from the CAS in content or other significant respects?	○ Yes X No
Does the project require any exceptions from Bank policies? Have these been approved/endorsed (as appropriate) by Bank management? Is approval for any policy exception sought from the Board?	○ Yes X No ○ Yes ○ No ○ Yes X No
Does the project meet the Regional criteria for readiness for implementation?	X Yes ○ No

Project Development Objective:

The objectives of the Project are to: (i) improve the basic conditions of welfare and social well-being of extremely poor beneficiary families with children in Selected Poor Localities; (ii) strengthen the capacity of MIFAN to implement the family and community-based social welfare Model; and (iii) promote pre-school and primary school attendance through the provision of school lunches.

Project description:

Component 1. Improving the basic conditions of welfare and social well-being of extremely poor families (US$11.3 million). This component will: (a) provide technical assistance to MIFAN for improving the organization, structure and content of community-based workshop modules aimed at promoting human capital formation within the family, avoiding risky behaviors and improving parents' knowledge and families use of social services; (b) provide personalized support, through social workers, to Counseling Targeted Families for developing and implementing their Family Improvement Plans, including the provision of, *inter alia*, training material to social workers and educational material to Counseling Targeted Families related to the plans; and (c) provide Family Grants to Community-based Targeted Families in Participating Departments, including the delivery of the Family Grants.

Component 2. Strengthening of MIFAN's Capacity (US$3.7 million). This component will: (a) provide technical assistance to MIFAN for strengthening its operational capacity to implement a family and community-based social welfare Model; (b) provide technical assistance to MIFAN for designing and implementing a management information system to improve the design, implementation and accountability of its family and community-based social welfare Model; and (c) provide technical assistance to MIFAN for strengthening Project management, coordination, supervision, monitoring and evaluation at central, regional and local levels.

Component 3. Supporting the Integral School Feeding Program (US$4.5 million). This component will provide support to the PINE Program through, *inter alia*, the purchase of inputs for school lunches to pre-school and primary school children located in Selected Poor Localities, including the distribution of lunches and nutrition education materials.

Safeguard policies triggered	
Environmental Assessment (OP/BP 4.01)	○ Yes X No
Natural Habitats (OP/BP 4.04)	○ Yes X No
Forests (OP/BP 4.36)	○ Yes X No
Pest Management (OP 4.09)	○ Yes X No
Physical Cultural Resources (OP/BP 4.11)	○ Yes X No
Indigenous Peoples (OP/BP 4.10)	X Yes ○ No
Involuntary Resettlement (OP/BP 4.12)	○ Yes X No
Safety of Dams (OP/BP 4.37)	○ Yes X No
Projects on International Waterways (OP/BP 7.50)	○ Yes X No
Projects in Disputed Areas (OP/BP 7.60)	○ Yes X No

Project Specific Conditions and Legal Covenants:

Financing Agreement Reference	Description of Condition/Covenant	Date Due
Schedule 2. Section I.C.1.	For purposes of implementing Part 1(c) of the Project; the Recipient, through MIFAN, shall enter into one or more separate agreements with Financial Institutions (the MIFAN-Financial Institution Agreement(s)) as determined by the Recipient in accordance with the provisions of the Operational Manual.	Throughout Project Implementation
Schedule 2. Section I.C.2.	For purposes of implementing Part 2(b) of the Project, MIFAN shall enter into an arrangement (the MIFAN-MINSA Implementation Arrangement) on terms and conditions satisfactory to the Association.	Throughout Project Implementation
Schedule 2. Section I.C.3.	For purposes of implementing Part 3 of the Project, MIFAN shall enter into an arrangement (the MIFAN-MINED Implementation Arrangement) on terms and conditions satisfactory to the Association.	Throughout Project Implementation
Schedule 2. Section I.D.1.	The Recipient, through MIFAN, shall make the proceeds of the Family Grants available to Community-based Targeted Families in accordance with Family Grant Commitment Letters (the Family Grant Commitment Letters) on terms and conditions satisfactory to the Association.	Throughout Project Implementation

Schedule 2 Section I.D.2.	The Recipient shall, through MIFAN: (a) by no later than December 31, 2011, prepare and submit to the Association a plan, acceptable to the Association, for Family Grant payments (b) by no later than April 30, 2012, establish and thereafter maintain a payment system, through a Financial Institution (or through Financial Institutions as determined by the Association), for delivering Family Grants.	December 31, 2011 April 30, 2012
Schedule 2. Section II.B.4.	4. (a) For purposes of carrying out concurrent audits of the Family Grants, the Recipient shall, within four (4) months after the Effective Date, hire independent auditors of experience and qualifications satisfactory to the Association and under terms of reference satisfactory to the Association. (b) The Recipient shall: (i) upon request by the Association, carry out a concurrent audit of the Family Grants; (ii) within two (2) months after the completion of such audit or otherwise agreed with the Association, prepare and furnish to the Association a report, acceptable to the Association, integrating the results of such audit, including any recommended action to address any irregularity identified by any such audit; and (iii) immediately after, implement said actions in a manner acceptable to the Association.	Four (4) months after the Effective Date Throughout Project Implementation
Schedule 2. Section IV.B.1.(b)	Notwithstanding the provisions of Part A of this Section IV, no withdrawal shall be made…. (b) for payments made to provide Family Grants in any given Participating Department under the relevant subcategory under Category (1), unless the Recipient has furnished to the Association, evidence acceptable to the Association, confirming that the Recipient has entered into the pertinent MIFAN-Financial Institution Agreement.	Before disbursing under Category (1) (Family Grants)

I. Strategic Context

A. Country Context

1. **Over the past decade, Nicaragua experienced steady, moderate economic growth, contributing to small gains in social indicators.** Between 2001 and 2008, economic growth averaged 3.2 percent per year and expenditures on measures aligned with the country's Poverty Reduction Strategy steadily increased. The Government's pro-poor agenda emphasized basic social services and infrastructure, particularly in poor rural areas. Progress has been made on several MDGs. Between 2001 and 2008, infant mortality fell from 38 to 28 per thousand live births and net primary school enrollment increased from 82.6 percent to 91.7 percent.

2. **Despite these improvements in education and health, there has been little progress in reducing income poverty.** With a Gross National Income per capita of US$1080[1] in 2008, Nicaragua continues to be one of the poorest countries in Latin America. Rates of poverty and extreme poverty (46.2 percent and 15 percent, respectively in 2008) have changed little since 2001. Poverty is highly concentrated in rural regions, where extreme poverty rates are five times that in urban areas. In addition, the current fiscal constraints of the Government are making it difficult to expand (or even maintain) social expenditures, which may contribute to slow progress towards other MDGs (primary education completion and a reduction in malnutrition levels).

3. **While there have been advances, there are still gaps in extremely poor families' use of social services.** Although there have been notable efforts to increase the supply of services and target the poor, there are still obstacles preventing their use by some families. About a third of the estimated 300,000 families with children living in extreme poverty have at least one child (aged 7-12) working and/or not going to school.[2] About 20 percent of extremely poor families cited family problems, lack of interest or a child working as reasons for not enrolling their child aged 7-12 in primary school. And while primary education is free, lack of money continues to be the most common reason cited for not attending school among extremely poor children.[3]

B. Sectoral and Institutional Context

4. **The Government of Nicaragua is committed to ensuring that families have access to social services and to better articulating those services.** The Government's National Human Development Plan 2009-2011 lays out a strategy for reducing poverty and improving human development. One pillar is fostering well-being and equity through the expansion of health and education services and social programs aimed at supporting income earning opportunities for the poor and implementing a more coordinated multi-sector approach. In particular, the aim is to improve the situation for children living in extreme poverty by ensuring the use of all pertinent social assistance programs and basic services by their families instead of by implementing isolated interventions. A central objective is to ensure that all children regularly attend and complete primary school through grade six. The Integral School Feeding Program plays a critical role in supporting this objective in food vulnerable and/or extremely poor municipalities.

5. **Most of the programs that make up the National System of Social Welfare reach the poor and use the network of social promoters that exists at the local level.** Currently there are over fifty public social service and social assistance programs in Nicaragua, including food

[1] Atlas methodology
[2] VIII Nicaragua's Population Census and IV Nicaragua's Household Census. INIDE, 2005.
[3] World Bank. 2009. "*Nicaragua: Análisis del Gasto Público en Protección Social.*" Draft Version, January 2009.

assistance, early childhood development, social infrastructure and rural development and micro-credit. The Social Protection Expenditure Review carried out by the Bank concluded that these social assistance programs were reasonably well targeted.[4] For many programs the network of social promoters helps coordinate, supervise, and monitor activities at the local level, as well as encourages the use of social services. This network - currently some 114,000 individuals across various sectors-[5] has existed for nearly three decades, supported by the last three administrations.

6. **Nevertheless, social assistance spending has not had the intended impact in reducing poverty.** The main recommendations of the Review were the following:

- Identify one institution to lead and coordinate the National System of Social Welfare;
- Design a more articulated strategy in order to increase the impact of social programs for the poor (programs should be implemented simultaneously in the same community);
- Clarify the target populations and use targeting tools to focus efforts in communities with a high incidence of extreme poverty and unsatisfied basic needs;
- Fill the gap that exists in programs for the extreme poor, including ones that focus on human capital investment of children; and
- Design programs tailored to the specific conditions of poor families.

7. **Within the National System of Social Welfare, the Ministry of the Family, Youth and Children *(Ministerio de la Familia, Adolescencia y Niñez*- MIFAN or Ministry of the Family) has played an important role in responding to the needs of extremely poor individuals and families.** The Ministry of the Family implements several programs whose objective is to improve the livelihoods of extremely poor individuals and families throughout their lifecycle (Annex 2a). These programs share a common approach: a focus on the family and the community and collaboration with other Ministries in order to facilitate the families' access to complementary services. Most of the programs use professionals (social workers, teachers, or other specialized staff) to provide personalized counseling to support the families (task-centered interventions/case management). One of the flagship programs of the Ministry, under the Directorate of *Programa Amor*, is the "Children at Risk" Program, which targets at-risk children and youth defined as those who are working and/or not attending school. The objective of the program is to get children back into school by supporting improvements in the practices and socio-economic conditions of the family, and integrating them into existing services. Social workers identify and get to know each child, develop a relationship with him/her, meet his/her family, provide psychosocial support, and work with the school and the family to have the child return back to school. A recent review of the Children at Risk Program in 2009 noted that of the 10,670 kids that were participating in the Program, 6,976 had returned to school.[6]

8. **Recently, the Ministry has begun to orient many programs toward meeting a common set of specific results, what it refers to as basic conditions of welfare and social well-being (see Box 1).** The Ministry, with inputs from other ministries, defined the conditions in order to establish a minimum standard to be met by families. These conditions aim to improve human capital development through use of public services. The conditions focus on the family, particularly children, and meeting them requires the support of multiple public agencies.

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[4] World Bank. 2009. "*Nicaragua: Análisis del Gasto Público en Protección Social*." Draft Version, January 2009.
[5] Health, education, water and programs supporting productive activities.
[6] *Gobierno de Reconciliación y Unidad Nacional. 2010. "Nicaragua 2010: Objetivos de Desarrollo del Milenio."*

Box 1. Basic Conditions of Welfare and Social Well-being

1. The birth of all children is recorded and all children have a birth certificate.
2. Children receive regular check-ups and nutrition controls, according to the Ministry of Health protocol.
3. Children receive proper vaccinations, in accordance with his/her age.
4. School-aged children attend school on a regular basis (primary).
5. Adults (especially parents) have access to information about how to improve the development and growth of their child.
6. Families are familiar with the social programs (food for work programs, nutrition programs, child development programs, literacy education classes for adults, etc.) in their neighborhood.
7. Families are familiar with the community resources (community organizations, etc.) in their neighborhood.

Source: MIFAN, 2010.

9. **The MIFAN has designed and implemented programs in coordination with other Ministries.** Currently, the MIFAN is jointly implementing with the Ministry of Health (MINSA) and the Ministry of Education (MINED) an early childhood development program (*Programa de Atención Integral a la Niñez Nicaraguense – PAININ)*. The design is a collective effort: the MINSA on nutrition, the MINED on early childhood learning, and the MIFAN on personalized family support. The program integrates activities in order to meet the inter-connected needs of young children, preferable to the alternative of separate interventions under each ministry. The MIFAN's leadership and local coordination role have been critical.

10. **A recent assessment by the Ministry of the Presidency recognized strengths in the Ministry's strategy, but also identified areas for improvement.** Although some programs had an integrated, personalized approach to address the needs of the family, including some which worked closely with the Ministries of Health and Education, others were isolated interventions. The Ministry needed a single, strategic and coordinated approach to working with poor families at the local level. The capacity and skills of social workers and promoters needed to be strengthened, in the case of the former through a training plan (*Plan Estratégico de Formación)*. All programs needed more systematic supervision and monitoring.[7]

11. **Based on its recent operational experience (Children at Risk, the early childhood development program, among others) and the recommendations of the assessment, the Ministry of the Family decided that it needed to design a more integrated standard strategy focused on improving the well-being of extremely poor families.** Supported by Bank technical assistance, the Ministry developed the family and community-based social welfare Model (*Modelo de atención integral familiar y comunitaria para el bienestar social)* (herein referred to as the model of attention or Model) which will be supported under the proposed Project. The target population is extremely poor families, just over 15 percent of all families in Nicaragua. The Ministry plans to implement the new Model, realigning its existing programs, nationwide starting in 2011. The model has three main elements**:** (i) community-based educational workshops; (ii) professional one-on-one family counseling; and (iii) in the context of both (i) and (ii) the provision of information and referrals to other social services including MIFAN programs available at the local level.

12. **The Model's first element, community-based education workshops, builds on experience and is a vehicle for families to access knowledge to help them improve the**

[7] *Gobierno de Nicaragua. June 2010. "Revisión del MIFAN: Diagnostico y Conclusiones Principales*."

situation, in particular of their children. The workshops have a dual role of promoting human capital formation within the family and the avoidance of risky behaviors. All families will have access to and be encouraged to attend the community-based workshops.[8] As is currently the practice, MIFAN coordinates the workshops and provides the supporting educational materials, while the workshop will be directed by specially trained social promoters or the ministry or institution that corresponds to the theme. MIFAN's local social promoters will continue to disseminate information about the workshops and encourage families to attend.

13. **The second element of the Model, professional one-on-one counseling, also builds on the MIFAN's experience and aims to provide more intensive support to at-risk families.** Extremely poor families identified as at risk[9] will be visited regularly by a professional social worker, who will work with the family on a *Family Improvement Plan*, according to guidelines set by the Ministry. The Plan will include goals[10] that the family will aim to meet over a 2-year period of regular contact with the social worker. The framework for the Plan and its goals are the basic conditions of welfare and social well-being (Box 1). The Plan is intended to be used as a tool for promoting changes in behavior (removing children from work and/or sending them to school) and other actions which will improve the basic conditions of welfare and social well-being. The approach is intended to encourage self-initiative and the development of personalized strategies to improve the situation of the family.

14. **The third element is the provision of information and referrals to other services including MIFAN programs.** In the context of both the personalized counseling and the community-based educational workshops, families would be linked to other services offered by MIFAN (early childhood education, among others) or other ministries (in particular, health and education). Regional representatives from MIFAN will work with professional social workers and local promoters to take stock of all existing services within the community. Once carried out, a small brochure will be created to share with families. Within the broadly available community-based educational workshops, promoters will share this information and promote the use of the services, ensuring that families know what social services are available in their locality and how to access them. As part of the family counseling, professional social workers will provide information and referrals to health, education, and social assistance services, in particular those directly pertinent for the basic conditions, and follow-up on their use. This third element aims to improve the use of services and create opportunities.

15. **The Model represents an important advance. It will improve the approach of the Ministry's interventions and lay the ground work for a more integrated strategy to address the deprivations of the poor.** First, the Ministry has announced that all donors will finance this Model of attention. Currently, donor-funded projects are using different approaches. Second, the Model will use a more systematic method of identifying and registering beneficiaries and a phased approach for expanding coverage of current interventions. Third, it promotes an integral

[8] These workshops could also serve as a vehicle for social accountability. Drawing from the framework of the 2004 WDR accountability triangle, citizens, through increased information, can hold service providers and government officials more accountable for the services they are entitled to as citizens. For example, in the case of the Bank-supported Nicaragua Community and Family Health Care Services Model, the overarching goal of community involvement in the improvement of local health services is 'social control', meaning social participation leading to a transparent and accountable way for citizens and government to collaborate on health services.

[9] Defined as having a child under 13 working and/or out of school.

[10] Goals could include: ensuring that all children had a birth certificate, removing the child from the street and sending him/her back to school, taking the child/children to his/her regular health check-up, etc.

and tailor-made approach to better address the multi-dimensional nature of poverty and different poverty exit strategies based on family and local conditions. The Ministry's role in referring families to other services and programs is in line with the Government's goal of articulating programs and social services at the local level in order to improve their impact on poor families.

16. **The Model of attention involves the community as a primary partner.** Given Nicaragua's long history of community organization and participation, the MIFAN, through implementation of the Model, seeks to build on and to encourage community participation. The Model instructs professional social workers and promoters to collaborate with the community, including community leaders, health and education promoters, youth clubs, senior citizen councils, and others. Such collaboration should both identify community needs and ways to work in partnership and contribute to the management, leadership, and capacities of community actors. The community's involvement in the operation and implementation of the Model will also build long-term support, contributing to its sustainability.

17. **The Ministry has assigned the administration and implementation of the new Model of attention to the Directorate of the *Amor* Program.** The Directorate of the *Amor* Program is currently responsible for the execution, management and supervision of many MIFAN programs including Children at Risk, PANIN, and those for the elderly, among others.

18. **The MIFAN has solicited input from stakeholders on the Model of attention and the Government has sought the support of the World Bank and the Inter-American Development Bank (IDB) to help finalize its design and finance its implementation.** Between August and November 2010, the Government solicited feedback from its 30 delegations made up of professional social workers and regional MIFAN representatives on the proposed Model of attention. Given that the Model builds on previous experiences executed under MIFAN, inputs were important for helping define its target population and general objectives. The MIFAN has also begun to work closely with national universities for the development of the modules that will be used to train technical personnel and professional social workers on the new elements of the Model and the development of the materials for the community based-education workshops. Further development and definition of implementation mechanisms, operational strategies and processes will be supported by the proposed IDA-financed Project.

19. **Finally, in Nicaragua, school feeding is a priority within the National Social Welfare System.** For more than 20 years, the MINED has implemented the Integral School Feeding Program (PINE), which includes both the distribution of school lunches and the development of a curriculum on nutrition. While the program is part of the National Food and Nutrition Security Policy, its main objective is to maintain school attendance among children in food vulnerable and/or extremely poor municipalities by supplementing nutritional requirements. Because of its effective targeting, the 2009 Social Protection Expenditure Review carried out by the Bank assessed the PINE as one of the most progressive social programs in the country. The Bank supported PINE in 2009-2010 through the Food Price Crisis Response and the Japanese Social Development Trust Funds.

C. Higher Level Objectives to which the Project Contributes

20. **The proposed Project will contribute to the goal set out in Nicaragua's National Human Development Plan 2009-2011 to foster well-being and equity through the expansion of social services and a coordinated multi-sector approach.** The proposed Project will provide technical and financial support to: (i) achieve a high-quality and effective family and

community-based social welfare Model; (ii) complement the Model with cash grants to families; (iii) strengthen the capacity of the MIFAN to implement the Model; and (iv) continue support for school feeding, a key part of the social safety net in Nicaragua.

21. **The proposed operation is consistent with the World Bank Group's Partnership Strategy for FY2008-2012 (Report No 39637-NI) discussed by the Executive Directors on October 11, 2007 and its Country Partnership Strategy (CPS) Progress Report FY2008–2012 (Report No. 51616-NI) dated December 4, 2009.** The proposed Project was not specifically mentioned in the CPS Progress Report, but it responds to a Government request for support and its objectives are consistent with Pillar II, "Pro-poor Investment in Delivery of Basic Services." The Project supports outcomes identified in the CPS, including the reduction of risk factors contributing to chronic malnutrition in children under 5 and maternal, infant, and child mortality and financial and other demand-side barriers to attending primary school.

II. Project Development Objectives

A. PDO

22. The objectives of the Project are to: (i) improve the basic conditions of welfare and social well-being of extremely poor beneficiary families with children in Selected Poor Localities; (ii) strengthen the capacity of MIFAN to implement the family and community-based social welfare Model; and (iii) promote pre-school and primary school attendance through the provision of school lunches.

1. Project Beneficiaries

23. The proposed Project will benefit extremely poor families with children 0-12 years old in selected localities in 26 municipalities in six Departments.[11] Additional departments and municipalities may be considered during Project implementation. Departments were selected by considering two variables: the rate of extreme poverty and the percentage of children less than 13 not attending primary school and/or are working. For the selection of the municipalities, the same variables were applied plus the presence of MIFAN's Children at Risk Program. Within those municipalities, localities will be ranked using the same variables applied to select the municipalities and will then be included based on the resources available until the Project reaches the target of 20,000 families.[12]

2. PDO-Level Results Indicators

24. The results indicators that will be used to track progress toward these objectives are listed below. The first four would apply to the selected localities.

- Percentage of families whose children had not been attending school and who now have children attending school;
- Public primary school retention rates;
- Percentage of children in primary school who are promoted to the next school year;
- Percentage of families who are using local services and programs;
- Percentage of families enrolled in MIFAN's programs and registered in the MIS; and
- Percentage of Municipalities where MIFAN is implementing the new Model.

[11] Chinandega, León, Matagalpa, Esteli, Madriz, and Jinotega.

[12] All families with children under 13 in a selected locality will be eligible for the transfer. In the case that in a given locality, the number of eligible families exceeds the resources available, there would be a random selection.

III. Project Description

25. **The Project will support the MIFAN to implement the new family and community-based social welfare Model and to test the additional impact of incorporating a monetary incentive for families.** The goal of the Ministry is to align all of its programs with the Model. Within this context, the Project will support the MIFAN in the further development and implementation of the Model and finance family grants (transfers) to determine if receipt of a monetary incentive by the family improves their achievement and maintenance of the basic conditions of welfare and social well-being.

A. Project components

26. **Component 1: Improving the basic conditions of welfare and social well-being of extremely poor families (US$11.3 million).** This component will: (a) provide technical assistance to MIFAN for improving the organization, structure and content of community-based workshop modules aimed at promoting human capital formation within the family, avoiding risky behaviors and improving parents' knowledge and families' use of social services; (b) provide personalized support, through social workers, to Counseling Targeted Families for developing and implementing their Family Improvement Plans, including the provision of, *inter alia*, training material to social workers and educational material to Counseling Targeted Families related to the plans; and (c) provide Family Grants to Community-based Targeted Families in Participating Departments, including the delivery of the Family Grants. With these activities, the overall aim is to improve extremely poor families' basic conditions of welfare and social well-being through supporting the gradual implementation of the family and community-based social welfare Model and family grants (transfers). These activities will be divided into three subcomponents.

27. ***Subcomponent 1.1: Community-based Educational Workshops (US$0.3 million).*** The aim of this Subcomponent is to provide technical assistance to MIFAN for improving the organization, structure and content of community-based workshop modules. Building on existing themes, MIFAN will add new workshops in areas such as financial management and financial literacy, family budgeting, access to credit, entry level work skills, and risk management, among others. The workshops will be delivered in a series of 12 sessions and repeated three times in the same locality over the lifetime of the Project. This subcomponent will finance the improvement of existing modules, the design of new workshop modules and the educational materials and other sundry inputs for the participants.

28. ***Subcomponent 1.2: Family Counseling (US$0.5 million).*** The objective of this Subcomponent is to provide personalized support, through social workers, to Counseling Targeted Families for developing and implementing their Family Improvement Plans, including the provision of, *inter alia*, training material to social workers and educational material to Counseling Targeted Families related to such plans. A Counseling Targeted Family is a selected family located within any of the Selected Poor Localities with children less than thirteen (13) years of age who have one or more children not going to school and/or working.

29. When children less than 13 years of age work and/or do not go to school, it is a sign that the parents are having difficulties carrying out their role as a parent. These cases require a family intervention that consists of one-on-one counseling. MIFAN's professional social workers will meet with the families at least once a month for two years and will work closely with these families on the development and implementation of a tailored Family Improvement Plan. The

Plan has to include activities and tasks that ensure the return of the child/children back to school and support the family to avoid school drop-out. This Subcomponent will finance travel and materials for social workers, educational materials, and other associated administrative costs (excluding salaries for the social workers).

30. ***Subcomponent 1.3: Family Grants (transfers) (US$10.5 million)*.** This Subcomponent will finance Family Grants to Community-based Targeted Families in Participating Departments, including the costs of delivery of the Family Grants. A Community-based Targeted Family is a family located within any of the Selected Poor Localities with children less than thirteen (13) years of age and with adults (parents) who are regularly attending community-based workshops. Payment of the family grants would not start until 2012 in order to allow time for capacity building related to both implementation of the Model and to the development of the Management Information System (See project description for Component 2 for more details).

31. *Family Grant and Co-responsibility:* The family grant will be US$20 a month, per family, for a period of two years (US$240/family/year) conditional on a parent's regular attendance to community-based educational workshops. The frequency of payment of the family grants is still to be defined. Over the two years, beneficiaries must participate in at least 6 sessions a year, for a total of at least 10 sessions during the life of the intervention. Beneficiary families and the MIFAN will sign a Family Commitment Letter that includes, *inter alia*, information on the family and community-based social welfare Model, the conditions which need to be met to receive the family grant as well as causes which could lead to suspension and/or termination of its receipt. This Letter will be signed after an initial orientation workshop during which information will be provided to beneficiaries and questions answered. Upon enrolling in the program, families will receive a folder with the options and dates of the workshops. As a means of accountability, next to the workshop options will be a box where the beneficiary and workshop instructor must sign to verify attendance and participation.

32. **Component 2: Strengthening of MIFAN's Capacity (US$3.7 million).** This component will: (a) provide technical assistance to MIFAN for strengthening its operational capacity to implement a family and community-based social welfare Model; (b) provide technical assistance to MIFAN for designing and implementing a management information system to improve the design, implementation and accountability of its family community-based social welfare Model; and (c) provide technical assistance to MIFAN for strengthening Project management, coordination, supervision, monitoring and evaluation at central, regional and local levels. These activities are divided into three Subcomponents.

33. ***Subcomponent 2.1: Strengthening the operational and administrative capacity of the MIFAN (US$1.1 million)*.** This Subcomponent will provide technical assistance to MIFAN for strengthening its operational capacity to implement a family and community-based social welfare Model through, *inter alia*: (i) the mapping of existing social programs within Selected Poor Localities including, *inter alia*, the carrying out of assessments of the social programs and thereafter the dissemination of the results; (ii) the improvement and validation of MIFAN's family and community-based social welfare Model including, *inter alia*, the carrying out of workshops on MIFAN's Model to families and the design and improvement of needed educational materials for implementing the Model; (iii) the design and development of training modules on MIFAN's family and community-based social welfare Model, including, *inter alia*, the provision of workshops and training to staff of the Recipient on the training models and the provision of related training materials to staff; (iv) the design of a culturally adopted family and

community-based social welfare Model for indigenous and ethnic populations based on the principles set forth in the IPP; (v) the development and implementation of social audits and grievance systems to strengthen the implementation of MIFAN's family and community-based social welfare Model; and (vi) the carrying out of Minor Rehabilitation Works to MIFAN's offices supporting the implementation of the Project.

34. While the initial activities will be focused in the localities covered under the proposed Project, the Ministry is interested in receiving support to apply some of the methodologies, training, and tools more broadly throughout the country. The MIFAN´s training plan (*Plan Estratégico de Formación*) includes three levels of curricular programs to be developed with a university: a graduate specialization program for a core team of 120 technical staff, a post-graduate program for 420 technical staff from the departmental level and a certification program for 5,000 local social promoters.

35. ***Subcomponent 2.2: Development and Implementation of a Management Information System (US$0.4 million).*** This Subcomponent will provide technical assistance to MIFAN for designing and implementing a management information system to improve the design, implementation and accountability of its family and community-based social welfare Model, including, *inter alia*: (i) the carrying out of data collection and digitalization activities of new and/or existing social assistance programs, (ii) the creation of a registry of beneficiaries of social assistance programs; and (iii) the provision of information and communication equipment to support the aforementioned activities. The MIFAN currently registers information on the participants in its programs; however, there is no connection between the different records. The registry will be designed in such a way that it could be used by other social ministries in order to facilitate coordination, particularly with the Ministries of Health and Education.

36. ***Subcomponent 2.3: Project Management and Evaluation (US$2.2 million).*** This Subcomponent will provide technical assistance to MIFAN for strengthening Project management, coordination, supervision, monitoring and evaluation at central, regional and local levels, including, *inter alia:* (i) the design and development of Project impact evaluations; and (ii) the carrying out of fiduciary audits under the Project.

37. **Component 3: Supporting the Integral School Feeding Program (US$4.5 million)** This Component will provide support to the PINE Program through, *inter alia*, the purchase of inputs (food) for school lunches to pre-school and primary school children located in Selected Poor Localities, including the distribution of the lunches and the provision of nutrition educational materials. The Component would finance the Program in the 26 municipalities prioritized under Component 1 of this Project during the second semester of the 2011 school year and the first semester of 2012 for nearly 110 days, with the aim of promoting improvement in public primary school attendance and student retention. Historically, the Government has used different modalities. Recently, the program has focused on the provision of "grains", but the Government has announced its intention to return to the "cereals" option, in part to reduce leakages of food to other community members. The estimated cost of the school feeding is about US$0.17 per child, per day including transportation, which is comparable to the unit costs of school feeding programs in other Central American countries.

B. Project Financing

1. Lending Instrument

38. The proposed Project will be financed through an IDA Credit in the amount of SDR 12.8 million (equivalent of about US$19.5 million).

2. Project Cost and Financing

Project Components	Project cost (in millions of US$)	IDA Financing (in SDR)	% Financing
Component 1. Improving the welfare and social well-being of extremely poor families.	**11.3**	**7.4**	100
Subcomponent 1.1	0.3	0.2	100
Subcomponent 1.2	0.5	0.3	100
Subcomponent 1.3	10.5	6.9	100
Component 2: Strengthening MIFAN's Capacity	**3.7**	**2.4**	100
Subcomponent 2.1	1.1	0.7	100
Subcomponent 2.2	0.4	0.3	100
Subcomponent 2.3	2.2	1.4	100
Component 3: Supporting the Integral School Feeding Program	**4.5**	**3.0**	100
Total Project Costs	**19.5**	**12.8**	
Total Financing Required	**19.5**	**12.8**	

C. Lessons Learned and Reflected in the Project Design

39. **The project design reflects lessons learned from other social assistance programs:**

(a) **Importance of strong Recipient commitment, ownership and leadership**. The principles underlying the family and community-based social welfare Model are explicit within the strategy of the Government of Nicaragua (NHDP, 2009-2011). The Ministry of the Family intends to use the Model in all their work with families, not only in the localities supported under the proposed Project. The project design takes advantage of the local experience with social workers and community-based promoters.

(b) **Importance of accurate selection of beneficiaries**. Internationally, the impact of family grants and early childhood development programs on poverty has been higher with an effective system for identifying and selecting poor beneficiaries. The combination of geographical targeting and family identification according to criteria which are strongly associated with extreme poverty should ensure that the Project reaches extremely poor families. Also, the outreach to these families should help to minimize exclusion errors. The targeting system used by the PINE has shown good results; it is one of the most progressive social programs in Nicaragua,

(c) **Importance of Training and other Support for Social Workers**. The experience of similar programs in Chile (*Chile Solidario*) and Colombia (*Juntos*) shows that the training of social workers must be systematized in a curriculum that can be replicated to scale up services and to ensure adequate quality. The capacity-building component of the proposed Project includes resources to develop such a curriculum and to support the training of the staff of the Ministry of the Family including the development to a specialized degree for a core technical group, post graduate courses for departmental staff and training leading to certification for the promoters at the local level.

(d) **A Management Information System is critical in order to monitor the progress of families and to coordinate services.** In order to articulate services, tools need to be developed to provide information to different agencies on the needs of the family. The capacity-building component includes support for strengthening information systems and developing "opportunity maps" on the local network of services.

(e) **The effectiveness of Group Training to support behaviour change depends on the methodology.** Evidence (from Mexico and early childhood development programs) suggests that these sessions are more effective if they provide demonstrations and opportunities for skill building and practice. The project will support strengthening of the methodology for the education/training workshops and assessments of their effectiveness.

IV. Implementation

A. Institutional and Implementation Arrangements

40. Annex 3 contains the detailed description of the implementation arrangements. Consistent with its role and responsibilities within the Government, the **Ministry of the Family, Youth and Children (*Ministerio de la Familia, Adolescencia y Niñez*- MIFAN)** will be the implementing agency for the proposed Project. Project activities would be managed within the existing structure of the Ministry. The **Directorate of the *Amor* Program** is leading the implementation of the new family and community-based social welfare Model. It will be responsible for implementation of the proposed Project and would be the main link with the Bank, through the Children at Risk Program Office. Other parts of the Ministry would also have a role in specific subcomponents. The training activities of the Project (Subcomponent 2.1) would be coordinated by specially designated staff within the Technical Advisory Committee. Staff in the Division of Planning and Strategy Development would be responsible for the development of the Management Information System, including the Registry of Beneficiaries (Subcomponent 2.2). It will also prepare the annual work-plans and other reports for the Project. The Procurement and Financial Management Divisions of the Ministry would handle these areas for the proposed Project. There are also existing structures to facilitate both inter and intra-institutional coordination. MIFAN has entered into an agreement with the Ministry of Health to facilitate access to data from the Health Census as well as collaborate on other issues related to the identification of families and the MIS, including the unique registry of beneficiaries.

41. *Family Grant Payment Mechanism:* The payment of grants will be handled using the banking system or another financial intermediary to be defined. The government has initiated discussions with the banking sector to explain the requirements of the proposed Project. A competitive process would be organized during 2011 using terms of reference agreed with the Bank to select the Financial Institution(s) which would provide this service. **In order to ensure that adequate controls are in place on the process of paying the family grants to beneficiaries before starting payments in a Participating Department, the contracting of the Financial Institution(s) for that Participating Department, on terms and conditions acceptable to the Bank, would be a condition of disbursement of the respective family grants category of expenditures.**

42. The disbursement condition affects slightly over half of the Credit amount. While substantial, it needs to be considered in the light of the technical rationale relating to the timing of capacity-building activities mentioned above. In addition, the risk of not disbursing this sub-component is not considered to be high. Since the Government currently has arrangements in

place with banks to make cash payments in many areas of the country, it is not expected that there would be difficulties reaching an agreement with one or more financial institutions in time to start payments in 2012. In order to reduce the risks of delays in finalizing the contract (s), the Credit has been structured so that payments could start in a Participating Department as long as an acceptable agreement for that department was in place. More details are available in Annex 3.

43. **In the case of Component 3, the provision of school lunches, MIFAN has entered into an agreement with MINED which lays out the responsibilities of each institution in carrying out the activities.** MIFAN will be responsible for administering the resources of the loan and carrying out all related procurement processes for goods and services, among others. Using resources transferred for this purpose by MIFAN from loan resources, MINED will be responsible for monitoring and supervising the provision of school lunches, carrying out nutritional training activities at schools, organizing a meeting and a study in indigenous communities, and collecting information for a study on school feeding.

B. Results Monitoring and Evaluation

44. **For the monitoring and evaluation (M&E) of project outcomes and results of Components 1 and 2, the Bank will support the MIFAN in the design, development and implementation of a management information system (MIS).** The MIS will gather information for the day-to-day administration, implementation and operational management of the model of attention nationwide and all of MIFAN's programs, not just the proposed Project. It will be made up of a number of modules including a single registry of beneficiaries, processes related to the model, and processes in the administration and management of the family grants, among others. The System will collect information, generate reports regarding the implementation of the Model, provide inputs on how to improve and adjust the operational elements of the Model and other programs, and serve as a tool to verify that the Model and other programs are being implemented following the defined required procedures.

45. **Other sources and instruments will complement data generated from the MIS, including:** (i) social audits; (ii) beneficiary satisfaction surveys; and (iii) a Project impact evaluation. The Project will finance some of the various studies and evaluations. For Component 3, the existing PINE monitoring system will be used. It provides information on the number of children covered by the program and includes a system of supervision and spot checks. Its quality has received positive assessments from recent international audits.

C. Sustainability

46. **Several factors should support both institutional and financial sustainability**. In the case of the former, the eventual objective of the MIFAN is to align all their programs with the new Model of attention. The Model builds on long-standing practices and structures in the country. Several Project activities in Component 2 are designed to promote sustainability of the model over the medium-term. Systems, such as the MIS and the registry of beneficiaries, will support the national implementation of the Model. On the financial side, during 2011, projected disbursements from the proposed Project will account for about 20 percent of the total budget of the Ministry of the Family. The Ministry accounts for a very small share of the total Government budget (around 1 percent projected in 2011). The share of Project disbursements in the budget of the Ministry will rise to about 25 percent in 2012, reflecting the start of grant payments to families. Another important consideration for sustainability is the relative size of the family grant. In this case, the grant is equivalent to about 10 percent of average household income in the

targeted municipalities, in the lower range of generosity of conditional cash transfer programs in the Latin American Region.

47. The PINE, supported under Component 3, is a priority of the NHDP and the National Food and Nutrition Security Policy. The Program has existed without interruption since 2002 and is expected to continue to be funded after the Project with resources from other development partners.

V. Key Risks and Mitigation Measures

48. **Project risks for preparation and implementation are rated Medium-I, that is a high-impact if the anticipated risk was not mitigated, and a low-likelihood of occurrence.** Risks were identified during Project preparation and agreed with the Government. The Project includes activities and design elements that aim to mitigate the risks and any potential impacts. Risks are summarized in the Operational Risk Assessment Framework (see Annex 4).

VI. Appraisal Summary

A. Economic and Financial Analysis

49. **The economic analysis is a lower bound estimate of the benefits which will accrue to participants. It takes into account two expected outcomes from the intervention supported under Component 1: an income effect for families receiving family grants (transfers) (direct impact), and an increase in the educational level of the primary school-aged children from families receiving family grants and participating in the counselling and workshop activities (indirect impacts).** Using 2005 Household Survey data, calculations show that the extreme poverty headcount in the departments of intervention could fall by 0.9 percentage points due to the income transfer component to the 20,000 beneficiary households, and by 3.5 percentage points if later expanded to reach all eligible households in these municipalities. Another goal of the Project is to increase children's education in beneficiary families. For families whose children are already attending primary school (not working), the predicted impact of the family grants on overall primary enrolment and child labor disincentive is positive and on the order of 6 percentage points. These results are in line with other (conditional) cash transfer experiences in the region. Additional years of education will have a long-term impact on participants in terms of future higher earnings, since primary completion increases permanent wages by 14 percent with respect to those with incomplete primary education. This is a lower bound estimate for the Project because it does not take into account other expected benefits: improved health and childcare practices for participants, for example, deriving from increased use of services and the better practices promoted by counselling and/or the workshops, as well as the efficiency and effectiveness gains from better service articulation.

50. Even the lower bound estimate of the benefits accruing to participants, plus the value of the family grants that they will reduce poverty, are 30 percent above the cost of Subcomponent 1.3 (the family grants). With regard to Component 3, international evidence suggests that school nutrition programs have positive impacts on school attendance and enrolment. Studies also suggest that school nutrition programs are relatively cost-effective compared with other public health interventions. The impact of school feeding can be expected to be particularly high amongst poor children, since they are most likely to drop-out or be absent.

B. Technical

51. The proposed Project will support Nicaragua's family and community-based social welfare Model. The key technical features include: counseling for families with one or more children out of primary school and/or working; adult participation in educational/training workshops; and social service articulation.

- **Family Counseling.** Home visits have been shown to be effective in the context of parenting programs in several countries (Lancet, Volume 369, January 20, 2007). Personalized family counseling is a centerpiece of the *Chile Solidario* Program. Its impact evaluation shows effects in increasing knowledge of and the take-up of social programs, including the use of some education and health services by children (Galasso, E. 2006.) Qualitative research suggests that participants highly valued the activity.
- **Educational/Training Workshops**. Several CCT programs include workshops. In Mexico, adult participation is a condition for receipt of the payment. The rationale is to encourage the responsibility and active participation of parents in improving their own and their children's education, health and nutritional status by giving them sufficient information on these issues. For Mexico, there is evidence that training sessions contributed to better diets (Hoddinott and Skoufias 2004) even after taking into account the income effect of the transfers. In addition, there was a "spillover" effect on non-participant households in the community. Another evaluation for Mexico (Duarte Gomez et al. 2004) found that the workshops had a positive impact on knowledge and practices in health, with higher impacts for those related to diet and childcare. Positive impacts of group training sessions have been found for several parenting programs in low-income settings (Lancet, Volume 369, January 20, 2007).
- **Service Articulation**. There are at least two potential gains from better articulation of services. First, important savings could materialize due to economies of scale in reaching particularly poor families. Second, such bundling could lead to higher household welfare improvements if the joint provision of services holds higher returns for the household than if services are provided individually. Using panel data from Peru, one analysis found that when households received two or more services jointly, their welfare increases were larger than when services were provided separately of each other and the increases were more than proportional (Chong, Hentschel, Saavedra, PRWP #3310, 2004).

52. Another reason for the positive technical assessment is the fact that the family and community-based social welfare model is suited to the Nicaragua context. First, key features – community-based workshops and family counseling - build on existing MIFAN practices. Second, there is a cadre of professionals serving as social workers as well as a long-established network of promoters to lay the base for community involvement. Third, MIFAN has some experience coordinating activities with other Ministries, including Education and Health.

C. Financial Management

53. **A financial management assessment has been carried out to determine Financial Management (FM) implementation risk and help establish adequate FM arrangements for the proposed operation. The overall financial management risk is *substantial* because of Subcomponent relating to the Family Grants.** The MIFAN's General Directorate of Administration and Finance (*Dirección General de Administración y Finanzas*- DGAF), herein referred to as MIFAN-DGAF, will be responsible for the financial management arrangements of

the proposed Project. It will consolidate the financial registration in the Integrated Financial Management System (SIGFAPRO) and perform reconciliation of the accounts. MIFAN-DGAF has some experience managing external donor funds and has implemented a component of a Bank-financed project (Second Rural Municipal Development Project, Report No: 21536-NI) two years ago. The adequacy of FM arrangements will be continuously monitored during Project supervision and adjustments made, as necessary, to ensure fiduciary compliance. An Action Plan has been agreed on with the MIFAN-DGAF to ensure that adequate FM systems are in place before implementation begins.

D. Procurement

54. **Procurement for the proposed project would be carried out in accordance with the World Bank's official guidelines[13] and the provisions stipulated in the Legal Agreement.** The procurement risks for the Project was determined to be **High** (based on the World Bank's Procurement Risk Assessment and Management System-PRAMS) due to the limited capacity, knowledge, staff expertise, and procedures of MIFAN's Division of Procurement. That said, procurement arrangements are not expected to have a direct impact on the overall implementation of the Project as the Division is expected to follow the usual execution of procurement arrangements established under the Procurement Plan. The Procurement Plan would be updated at least once a year or as required to reflect the actual Project implementation needs and improvements in institutional capacity. Furthermore, the Procurement Plan, which was presented and found satisfactory to the Bank, includes prior reviews and low thresholds to mitigate risk. The Bank will provide additional training and technical support to MIFAN to implement the mitigation actions recommended by PRAMS. A more detailed capacity assessment of the implementing agency as well as risk mitigation measures and a capacity building plan are presented in the procurement section of Annex 3.

E. Social

55. **Given the presence of indigenous peoples in the Project area, the Project triggers OP/BP 4.10.** To this effect, the GoN prepared an Indigenous Peoples' Plan (IPP), dated November 14, 2010, to seek broad community support for the Project and to ensure that services respect the dignity, human rights, and culture of Indigenous Peoples and Ethnic Communities. The IPP includes a social assessment, based on free, prior and informed consultations in the municipalities targeted under the Project. The IPP was disclosed in country on the Ministry of Family's website, as well as in the Bank's Infoshop, on December 3, 2010. The proposed Project will not trigger land acquisition and/or resettlement safeguard policies.

56. The IPP describes a set of activities to be supported under the capacity-building component of the Project which focuses on promotion and communication strategies adequate for indigenous populations to ensure their understanding of the model, its validation in the indigenous communities targeted under the Project, as well as consultations and adaptations for the eventual application of the model in the South Atlantic Autonomous Region (RAAS) and the North Atlantic Autonomous Region (RAAN).

F. Environment

57. The proposed Project does not trigger any environmental safeguards.

[13] "Guidelines: Procurement under IBRD Loans and IDA Credits" and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" both dated May 2004, revised October 2006 and May 2010.

Annex 1: Results Framework and Monitoring
Nicaragua Social Protection Project
Results Framework

Project Development Objective (PDO): The proposed Project will support the implementation of the family and community-based social welfare Model. The Project Development Objectives are to: (i) improve the basic conditions of welfare and social well-being of extremely poor beneficiary families with children in selected poor localities; (ii) strengthen the capacity of the Ministry of the Family to implement the family and community-based social welfare Model; and (iii) promote preschool and primary school attendance through provision of school lunches in selected localities.

PDO Level Results Indicators*	Core	Unit of Measure	Baseline	Cumulative Target Values**					Frequency	Data Source/ Methodology	Responsible for Data Collection	Description (indicator definition etc.)
				YR 1	YR 2	YR3	YR 4	YR5				
Percentage of families whose children had not been attending school and who now have children attending school in the selected localities		Percentage	0%	N/A	60%	70%	80%	90%	Bi-annually	MIFAN's Information System	MIFAN	The proportion of families whose children are now attending school over the families whose children had not been attending school at the beginning of the project.
Public primary school retention rate in selected localities		Percentage	85%	90%	90%	90%	90%	90%	Annually	PINE Information System	MINED	The proportion of primary school enrollment at the end of the school year over the enrollment at the beginning of the school year.
Percentage of children in primary school who are promoted to the next school year in selected localities		Percentage	To be defined when the intervent ion starts	N/A					Annually	MIFAN's Information System	MIFAN	The proportion of children who are promoted to the next school year over the children attending primary school.

PDO Level Results Indicators*	core	Unit of Measure	Baseline	Cumulative Target Values**					Frequency	Data Source/ Methodology	Responsible for Data Collection	Description (indicator definition etc.)
				YR 1	YR 2	YR3	YR 4	YR5				
Percentage of families who are using local services and programs in selected localities		Percentage	To be defined when the intervent ion starts	N/A	35%	75%	85%	90%	Bi-annually	MIFAN's Information System	MIFAN	The percentage of families using at least one service or program within their locality Does not include educational workshops, schools, or health checkups. For example school feeding, ECD services, among others. Includes MIFAN and other programs.
Percentage of families that are enrolled in MIFAN's programs registered in the Management Information System of the Ministry of the Family.		Percentage	0	50%	70%	80%	90%	100%	Quarterly	MIFAN's Information System	MIFAN	The proportion of registered families over total beneficiary families. Registration defined as having: personal identification #, family identification #, programs or services where the beneficiaries are participating.
Percentage of Municipalities where MIFAN is implementing the new model.		Percentage	0	25%	50%	75%	900%	100%	Bi annually	MIFAN's Information System	MIFAN	Proportion of Municipalities where MIFAN is implementing the new model over the total

												Municipalities where MIFAN is implementing its programs.
INTERMEDIATE RESULTS												
Intermediate Result (Component One): Improving the basic conditions of welfare and social well-being of extremely poor families												
Subcomponent 1.1 Community- based Educational Workshops												
Number of new workshop modules developed		Number	0	0	4	N/A	N/A	N/A	Biannually	MIFAN's Information System	MIFAN	A new workshop is developed when the following are available: new contents, methodology to deliver the contents, educational materials, trained teachers.
Percentage of localities that have completed the biannual cycle of educational workshops		Percentage		N/A	100%	100%	100%	100%	Annually	MIFAN's Information System	MIFAN	The proportion of localities that had implemented the 2 annual cycles of workshops over the localities where the program is being implemented.
Percentage of families attending the community-based workshops, by theme		Percentage		N/A	35%	75%	85%	90%	Bi-annually	MIFAN's Information System	MIFAN	The proportion of families attending over families enrolled for the specific workshop.
Percentage of participants in workshops providing a satisfactory or higher rating to workshop, by subject and locality		Percentage	0	N/A	80%	85%	90%	95%	Bi-annually	MIFAN's Information System/ beneficiary survey	MIFAN	At the end of each workshop cycle participants will provide written and oral feedback on the workshops. Feedback will be graded based on

												a scale defined in the operational manual.
Percentage of families complying with co-responsibility on workshop attendance		Percentage	0	N/A	85%	90%	95%	95%	Quarterly	MIFAN's Information System	MIFAN	The proportion of families attending the minimum number of workshops required in each cycle over the families enrolled in the program. The minimum number of workshops will be defined in the Operational Manual.
Average number of services or programs that families use		Average	To be defined when the intervention starts	N/A	1	2	3	3	Biannually	MIFAN's Information System	MIFAN	The proportion of sum of each service used by a family over total of beneficiary families. Does not include educational workshops, schools or health check-ups.
Percentage of families having home visits (by social promoters) in accordance with the frequency established in the intervention methodology.		Percentage	0	N/A	35%	75%	85%	90%	Quarterly	MIFAN's Information System	MIFAN	Guidelines will be in Operational Manual
Subcomponent 1.2 Family Counseling												
Percentage of eligible families to participate in Family Counseling that are contacted by the program to be invited to participate.		Percentage	0	N/A	35%	40%	55%	95%	Quarterly	MIFAN's Information System	MIFAN	The proportion of families contacted (invited) over the eligible families to participate in Family Counseling, in the locality

Percentage of families agreeing to participate in Family Counseling by locality		Percentage	0	N/A	20%	40%	60%	75%	Quarterly	MIFAN's Information System	MIFAN	The proportion of families who have signed a contract with the social worker to participate in the Family Counseling over the families invited to participate.
Percentage of families that receive counseling visits in accordance with the frequency established in the interventions' methodology		Percentage	0	N/A	20%	40%	60%	75%	Quarterly	MIFAN's Information System	MIFAN	Details about intervention methodology will be in the Operational Manual
Percentage of families dropped from the Family Counseling		Percentage	0%	N/A	25%	25%	25%	25%	Quarterly	MIFAN's Information System	MIFAN	Number of families that social worker drops from program due to lack of compliance/lack of participation.
Percentage of families that have the first (initial) assessment of their basic conditions of social welfare and well-being during the first 3 months of intervention		Percentage	0%	N/A	35%	75%	85%	95%	Quarterly	MIFAN's Information System	MIFAN	The proportion of families with the first assessment done over those families enrolled in the program in the last three months
Percentage of families who have agreed on their Family Improvement Plan, during the first six months of intervention		Percentage	0%	N/A	30%	40%	60%	70%	Quarterly	MIFAN's Information System	MIFAN	Completion will be defined in Operational Manual. Technical social workers
Percentage of families meeting the basic conditions of social welfare and well-being, by conditions, by locality		Percentage	0%	N/A	35%	75%	85%	90%	Quarterly	MIFAN's Information System	MIFAN	The proportion of families who have achieved the conditions over the families who didn't have the condition at the beginning of the intervention.

Percentage of families who meet all the basic conditions during first year of intervention.		Percentage	0%	N/A	30%	70%	70%	70%	Annually	MIFAN's Information System	MIFAN	The proportion of families who have achieved all the basic conditions over the families participating in family counseling
Percentage of participants in family counseling providing a satisfactory or higher rating to the service		Percentage	0%	N/A	20%	40%	60%	75%	Annually	Beneficiary survey – supervision process	MIFAN	
Subcomponent 1.3 Family Grants												
Percentage of eligible families that are contacted by the program to be invited to participate.		Percentage	0%	N/A	35%	75%	90%	95%	Quarterly	MIFAN's Information System	MIFAN	The proportion of families contacted (invited) over the eligible families (with children under 13 years old) in the locality
Percentage of families that sign a Family Grant Agreement with MIFAN in order to receive a family grant		Percentage	0%	N/A	35%	75%	90%	95%	Quarterly	MIFAN's Information System	MIFAN	The proportion of families who sign a Family Grant Agreement over the families invited to participate.
Percentage of beneficiary families whose co-responsibilities are verified and reported		Percentage	0%	N/A	35%	75%	90%	95%	Quarterly	MIFAN's Information System	MIFAN	Efficiency indicator: what percentage of families did MIFAN verify and report for family grants
Percentage of families who are claiming the family grant in the corresponding period		Percentage	0%	N/A	35%	75%	90%	95%	Quarterly	MIFAN's Information System	MIFAN	The proportion of the families who are claiming the family grant over families eligible for payment.

Intermediate Result (Component Two): Strengthening MIFAN's Capacity												
Subcomponent 2.1 Strengthening the Operational and Administrative Capacity of the MIFAN												
Percentage of targeted localities for which local services have been mapped.		Percentage	0%	50%	75%	90%	100%	100%	Annually	MIFAN's Information System	MIFAN	The proportion of localities that have a map of the local services over the localities where the program is being implemented.
Percentage of targeted localities for which local services mapping has been updated		Percentage		N/A	40%	30%	40%	50%	Annually	MIFAN's Information System	MIFAN	Mapping of existing services will be done periodically throughout the life of the Project
Number of technical specialists who have been certified to be trainers on new model	X	Number	0	90	120				Annually	MIFAN's Information System	MIFAN	Certification given by the university that delivers the training program
Number of MIFAN technical staff and professional social workers who approved the training program on new Social Welfare model	X	Number	0	300	420				Annually	MIFAN's Information System	MIFAN	Approval given by the university that delivers the training program.
Number of social promoters trained on new Social Welfare Model.		Number	0	2000	4000	5000			Annually	MIFAN's Information System	MIFAN	A social promoter is trained when he have attended the number of training sessions required by the training program.
Procedures defined to receive and respond to complaints, appeals, questions and suggestions.				Yes	N/A	N/A	N/A	N/A	Annually			Would be included in the Operational Manual.
Percent of complaints and appeals attended to and resolved, according to pre-defined standards		Percentage	0%	N/A	**60%**	**70%**	80%	90%	Biannually	MIFAN's Information System	MIFAN	The proportion of complaints and appeals resolved over the complaints and appeals received.

Number of modules of the MIFAN's Management Information System developed and implemented.		Number		**1**	**2**	**1**	1	1	Annually	MIFAN's Information System	MIFAN	Initial content and structure of modules to be defined during first year of project.
Percentage of MIFAN's staff with performance assessment on the implementation of the new model		Percentage	0%	N/A					Annually	MIFAN's Information System	MIFAN	The proportion of staff with completed performance assessments over the staff involved in the implementation of the new model.
Percentage of MIFAN's staff that receive a satisfactory or higher rating in the performance assessment.		Percentage	0%	N/A					Annually	MIFAN's Information System	MIFAN	Performance of satisfactory or higher will be defined in the Operations Manual.
Subcomponent 2.2 Registry of Beneficiaries												
Number of institutions that agree to share/exchange information for the Registry of Beneficiaries		Number	1	2	3	4	5	6	Annually	MIFAN	MIFAN	Existence of agreement on information exchange.
Number of institutions that exchange information for the Registry of Beneficiaries		Number	0	1	2	3	4	5	Annually	MIFAN's Information System	MIFAN	Exchange of information occurring.
Percentage of families that are enrolled in MIFAN's programs that have records with complete information in the Management Information System of the Ministry of the Family.		Percentage	0%	N/A	35%	75%	90%	95%	Quarterly	MIFAN's Information System	MIFAN	Content of obligatory information to be specified during first year of project.
Subcomponent 2.3 Project Management and Evaluation												
Percentage of payment points for the family grants that have received a financial audit at least once a year		Percentage	0	N/A	80	85	90	90	Annually	MIFAN	MIFAN	Concurrent audit

MIFAN Fiduciary unit fully staffed and functional		N/A	0	Yes	Yes	Yes	Yes	Yes		MIFAN	MIFAN	
Percentage of execution of the annual budget resources		Percentage	0%	70%	80%	90%	90%	90%				Resources from the project.
Design and implementation of impact evaluation		N/A	0	Design and baseline		Data and analysis (first round)	Data and analysis (second round)	Analysis and final report	Year 1, 3, 4, 5	Impact evaluation report	MIFAN	
Intermediate Result (Component Three): Supporting the Integral School Feeding Program												
Percentage of public primary attendance in targeted areas		Percentage	80%	85%	85%	N/A	N/A	N/A	Bi-Annual	PINE Information System	MINED	This indicator will be measured each semester that the food is distributed.
Number of children who receive the rations in target municipalities		Number	243,000	243,000	243,000	N/A	N/A	N/A	Bi-Annual	PINE Information System	MINED	This indicator will be measured each semester that the food is distributed.
Number of school days covered with rations in target municipalities		Number	0	55	55	N/A	N/A	N/A	Bi-Annual	PINE Information System	MINED	This indicator will be measured each semester that the food is distributed.

Annex 2: Detailed Project Description
Nicaragua Social Protection Project

1. **The Project will support the MIFAN's overall vision to align all of its programs with the new family and community-based social welfare Model and test the additional impact of adding a monetary incentive to the Model.** The MIFAN proposes to develop the new family and community –based social welfare Model in order to orient and facilitate the execution of actions and integral services for extremely poor families. The Model would orient and facilitate attention for extremely poor families and enable MIFAN to organize and integrate all the attention it extends to them under one framework. It is also intended to strengthen the coordination mechanisms among public agencies. MIFAN will start implementing the Model at the national level starting in 2011, once it has been elaborated, designed and validated. Within this context, the Project will support the MIFAN in the further development and implementation of the model and finance family grants (transfers) to determine if adding a monetary incentive for families improves the impact on families' achievement and maintenance of the basic conditions of welfare and social well-being (See Box 2.1).

Box 2.1. Basic Conditions of Welfare and Social Well-being

1. The birth of all children is recorded and all children have a birth certificate.
2. Children receive their regular check-ups and nutrition controls, in accordance with the protocol established by the Ministry of Health.
3. Children receive proper vaccinations, in accordance with his/her age.
4. School-aged children attend school on a regular basis (primary).
5. Adults (especially parents) have access to information about how to improve the development and growth of their child.
6. Families are familiar with the social programs (e.g. - food for work programs, nutrition programs, child development programs, literacy education classes for adults, etc.) in their neighborhood.
7. Families are familiar with the community resources (e.g. –community organizations, etc.) in their neighborhood.

Source: MIFAN, 2010.

2. **The Project's target population is extremely poor families with children under the age of 13.** The goal of the targeting strategy is to establish objective and transparent criteria for the selection of the families who will be direct beneficiaries of the Project. Using data from the 2005 Census, the Project will target extremely poor families with children less than 13 years of age in 26 municipalities located in 6 departments. The selection of the departments was determined considering two variables: the rate of extreme poverty and the rate of children who don't attend primary school and/or are working. For the selection of the municipalities, the same variables were applied plus the presence of MIFAN's "Children at Risk Program." Within those municipalities, localities (territories) will be ranked using the same variables applied to select the municipalities. Localities will be included based on the resources available for the transfer - until the coverage of 20,000 families is reached (see Table 2.1).[14] Once the localities are selected, local professional social workers and social promoters will use individual and household data from the 2009/2010 Ministry of Health Census to identify families who have

[14] All families with children under 13 in a selected locality will be eligible to receive the transfer. If in a given locality, the number of eligible families exceeds the resources available, a random selection process will be used.

children less than 13 years of age and within that group, those families who have at least one child who is not attending primary school and/or working. Once families are identified as meeting the eligibility requirements, they will participating in an orientation workshop during which they will be provided with information *inter alia* on the operation of the components of the model, arrangements for payment of the family grants, their co-responsibilities in order to receive the grants as well, the causes for suspension from receipt of the grants, and their rights. A family grant commitment letter would be signed by those who confirm their desire to participate. A model is in the Operational Manual.

Table 2.1. Departments and Municipalities targeted under the Project

DEPARTMENT	MUNICIPALITY	% households in extreme poverty	% households with children under 13 out of school
MATAGALPA	Tuma La Dalia	62.7	26.5
	Matiguas	59.2	28.0
	Rio Blanco	57.7	21.7
	Matagalpa	37.1	11.0
	Ciudad Dario	31.2	8.3
	Sebaco	29.4	9.2
	DEPARTAMENTO	**46.3**	**16.9**
JINOTEGA	Wiwili	74.5	21.0
	El Cua	65.9	29.9
	Santa Maria Pantasma	65.3	22.6
	Sna Sebastian Yali	51.3	18.1
	San Rafael del Norte	47.6	15.1
	Jinotega	45.7	16.3
	DEPARTAMENTO	**59.3**	**21.9**
LEÓN	Leon	19.5	5.6
	DEPARTAMENTO	**27.9**	**7.8**
CHINANDEGA	El Viejo	44.7	11.2
	El Realejo	40.3	10.0
	Chinandega	29.4	7.6
	Chichigalpa	26.5	6.7
	Corinto	19.8	3.9
	DEPARTAMENTO	**36.6**	**9.0**
MADRIZ	San Juan de Rio Coco	55.0	19.4
	Totogalpa	53.7	16.3
	Telpaneca	53.1	19.4
	San Lucas	52.3	15.9
	Somoto	30.1	8.9
	Yalaguina	29.4	12.1
	Palacaguina	24.8	7.4
	DEPARTAMENTO	**42.5**	**13.7**
ESTELI	Esteli	24.0	7.1
	DEPARTAMENTO	**29.5**	**9.5**
NICARAGUA		35.7	11.8

Source: National Census 2005

3. The proposed four-year Project will finance activities in three components: (i) Improving the basic conditions of welfare and social well-being of extremely poor families in selected localities; (ii) Strengthening of MIFAN's Capacity; and (iii) Supporting the Integral School Feeding Program. These components are described below:

4. **Component 1: Improving the basic conditions of welfare and social well-being of extremely poor families (US$11.3 million).** This component will: (a) provide technical assistance to MIFAN for improving the organization, structure and content of community-based workshops modules aimed at promoting human capital formation within the family, avoiding risky behaviors and improving parents' knowledge and families' use of social services; (b) provide personalized support, through social workers, to Counseling Targeted Families for developing and implementing their Family Improvement Plans, including the provision of, *inter alia*, training material to social workers and educational material to Counseling Targeted Families related to such plans; and (c) provide Family Grants to Community-based Targeted Families in Participating Departments, including the delivering of the Family Grants. With these activities, the overall aim is to improve extremely poor families' basic conditions of welfare and social well-being through supporting the gradual implementation of the family and community-based social welfare Model and family grants (transfers). Not all families will receive family counseling (see Table 2.2). These activities will be divided into three subcomponents.

Table 2.2 Combination of Interventions

Target Family	Interventions under the Project		
	Community-based Educational Workshops	Family Counseling	Family Grant (transfer)
Families who have children less than 13 years of age.	YES	NO	YES
Families who have children less than 13 years of age with at least one child not attending primary school and/or working	YES	YES	YES

5. ***Subcomponent 1.1: Community-based Educational Workshops (US$0.3 million).*** The aim of this Subcomponent is to provide technical assistance to MIFAN for improving the organization, structure and content of community-based workshops modules aimed at promoting human capital formation within the family, avoiding risky behaviors and improving parents' knowledge and parents' use of social services. The Japanese Government is supporting the implementation of these workshops in many municipalities nationwide through the Program for Strengthening the Community Safety Net for Children, Adolescents and Families at Risk (see Box 2.2). Within the Model, the community-based educational workshops have a dual role of promoting human capital formation within the family and avoidance of risky behaviors, as well as ensuring that families know what social services are available in their locality and how to access them. The aim is to contribute to good parenting and to promote positive changes in the relationships within the family.

Box 2.2. Program for Strengthening the Community Safety Net for Children, Adolescents and Families at Risk

Since 2007, the MIFAN has implemented a series of workshops directed at promoting human capital formation within the family, avoiding risky behaviors and improving parents' knowledge and use of services. Nine themes are covered: (i) The Family and building your child's self esteem; (ii) Education for your children; (iii) Prevention of Drug Consumption; (iv) Family Violence Prevention; (v) Assertive and Effective Communication; (vi) Family and Sexual Health; (vii) Knowing your rights; (viii) Prevention from Social Risks (alcoholism, violence); and (ix) Community Planning. MIFAN coordinates the workshops and provides the educational materials while the workshop is presented by either a specially trained promoter or the institution (health, education, finance, etc.) that corresponds with the topic. Attendance is recorded and the material is regularly reviewed to ensure it is relevant to the needs and demands of the community

6. **Workshops will be oriented toward families targeted under the Project.** MIFAN will build on existing themes and add new workshops in areas such as financial management and financial literacy, family budgeting, access to credit, entry level work skills, and risk management, among others. They will also inform families about existing services and encourage use of these services. The workshops will be delivered in a series of 12 sessions and repeated multiple times in the same locality over the lifetime of the Project. The workshops last about 2 hours and have a participative methodology with a focus on adult education and community organization. At the conclusion of the workshops, the participants would make commitments related to achieving the basic conditions of welfare and social well-being.

7. **The implementation of the workshops requires an integrated approach from all ministries and institutions at the local level.** Building on existing practices, the local MIFAN social worker will be responsible for organizing and coordinating the workshops, providing education materials, while a specially trained promoter or the ministry or institution that corresponds to the topic or theme will be responsible for directing the workshops. Promoters will be responsible for taking attendance. Families will receive information on the workshops in community assembles, as well as in home visits. The involvement of multiple ministries at the local level in the implementation of a single series of community-based workshops will require ministries and institutions to collaborate with one another in each community. This will encourage ministries and institutions to work together to support a single comprehensive strategy for promoting the use of services.

8. This Subcomponent will finance the design of new workshop modules to be added to those that already exist, improvements in the methodology, the validation of the educational materials for the workshop participants, the educational materials for the participants, and food for participants.

9. ***Subcomponent 1.2: Family Counseling (US$0.5 million)*.** The objective of this Subcomponent is to provide personalized support, through social workers, to Counseling Targeted Families for developing and implementing their Family Improvement Plans, including the provision of, *inter alia*, training material to social workers and educational material to Counseling Targeted Families related to such plans. A Counseling Targeted Family is a selected family located within any of the Selected Poor Localities with children less than thirteen (13) years of age who have one or more children not going to school and/or working.

10. When children less than 13 years of age work and/or do not go to school, it is a sign that the parents of these children are having difficulties completing their role as a parent. Therefore, these cases require a family intervention that consists of one-on-one counseling. MIFAN's specially trained professional social workers will meet with these families at least once a month for two years and will work closely with them on the development and implementation of a tailored Family Improvement Plan, oriented to achieve and maintain the basic conditions of welfare and social well-being (Box 2.1). The base of the Plan is a socioeconomic analysis of the family situation carried out during the initial visits using tools and instruments designed for that purpose. In particular, the Plan has to include activities and tasks that ensure the return of the child/children back to school and support the family to avoid school drop-out. The aim is to strengthen the self confidence of family members, consolidate relationships and support the reinsertion of the family into the social network, thereby promoting the necessary changes in behavior. Families with children under 13 years of age who are in school and not working would be visited by promoters three times a year.

11. Additional aspects and details for family counseling will be defined during the first 6 months of Project implementation. A plan for how to supervise family counseling will be developed during the first year of the Project. This plan will include direct field supervision (sitting in on meetings with families), beneficiary surveys, social audits, and monitoring progress on the achievement of the specific goals within the Family Improvement Plans. This Subcomponent will finance travel and materials for the social workers, educational materials related to the Family Improvement Plan, and other associated administrative costs (excluding salaries for the social workers since MIFAN is already covering these costs).

12. ***Subcomponent 1.3: Family Grants (transfers) (US$10.5 million)*.** This Subcomponent will provide Family Grants to Community-based Targeted Families by Participating Departments, including the delivery of the Family Grants. A Community-based Targeted Family is a family located within any of the Selected Poor Localities with children less than thirteen (13) years of age who is regularly attending community-based workshops. This Subcomponent will finance the family grants and the costs of delivering the grants to the beneficiaries. Administrative costs are estimated to be about US$950,000 (assuming monthly payments) or roughly US$2/transfer payment made.

13. *Family Grant and Co-responsibility:* The family grant will be US$20 a month, per family, for a period of two years (US$240/family/year) conditional on a parent's regular attendance to community-based educational workshops. The frequency of the family grants is still to be defined. Over the two years, beneficiaries must participate in on average at least 6 sessions a year, for a total of at least 10 sessions during the life of the intervention. Community-based Targeted Families will sign a Family Grant Commitment Letter that states: (a) the information related to MIFAN's family and community-based social welfare Model; (b) the conditions to be met by the relevant Community-based Targeted Family in order to receive Family Grants; and (c) the events for suspension and/or termination of the right for receiving Family Grants. This Agreement will be signed after an initial orientation workshop during which information will be provided to beneficiaries and questions answered. Upon enrolling in the program, families will receive a folder with the options and dates of the workshops. As a means of accountability, next to the workshop options will be a box where the beneficiary and workshop instructor must sign to verify attendance and participation.

14. *Verification of Parent's Regular Attendance:* Upon enrolling in the program, families will receive a folder with the options and time of the workshops. As a means of accountability, next to the workshop options will be a box where the beneficiary and workshop instructor must sign to verify attendance and participation.

15. The family grant could be suspended for the reasons stipulated in the table below. The decision to suspend the family grant would be made by a special committee at the local level, according to guidelines (including exceptions) which would be defined in more detail during the first year of Project implementation and included in the Operational Manual.

Target Group	Reasons for Suspension	Verification and Frequency
Families with Children under 13	- Children (0-6) do not receive regular health check-ups. - Children (primary school aged) do not have regular attendance in school.	Local MIFAN social promoter during the visits 3 times a year, complemented with information provided by schools and health centers
Families with children under 13 receiving family counseling	- Does not participate in family counseling sessions. - The family does not comply multiple times with the commitments defined in the Family Improvement Plan.	Professional social worker during monthly visits.

16. *Payment Mechanism:* The payment of grants will be handled using the banking system or another financial intermediary to be defined. Currently, the availability of financial intermediaries in the targeted municipalities is being determined. Based on that information, the Bank will conduct a fiduciary assessment to confirm that the network or other financial intermediary is able to take on the task of paying grants under the Project.

17. **Component 2: Strengthening of MIFAN's Capacity (US$3.7 million)**. The design and implementation of the new Model of attention by MIFAN implies major adjustments to its internal organization, the generation and operation of new technical instruments, the need for a process of sensitization of the staff, and a systematic and intensive training program in order that the staff can acquire the necessary knowledge and capabilities to implement the new approach. This component will: (a) provide technical assistance to MIFAN for strengthening its operational capacity to implement a family and community-based social welfare Model; (b) provide technical assistance to MIFAN for designing and implementing a management information system to improve the design, implementation and accountability of its family and community-based social welfare Model; and (c) provide technical assistance to MAFIN for strengthening Project management, coordination, supervision, monitoring and evaluation at central, regional and local levels. These activities will be divided into three Subcomponents:

18. ***Subcomponent 2.1: Strengthening the operational and administrative capacity of the MIFAN (US$1.1 million).*** This Subcomponent will provide technical assistance to MIFAN for

strengthening its operational capacity to implement a family and community-based social welfare Model through, *inter alia*:

(i) The refinement of the design and the validation of MIFAN's family and community-based social welfare Model, including *inter alia*, the carrying out of workshops with key stakeholders including potential beneficiaries and the staff who will be responsible for implementation, explaining the model and requesting feedback and comments.

(ii) The mapping of existing social programs within Selected Poor Localities including, *inter alia*, the carrying out of assessments of such social programs and thereafter the dissemination of the results of such assessments. This includes taking stock of all existing social and non-social services at the local level and completing a rapid assessment of the quality of the services (presence of provider, waiting time, etc.). MIFAN personnel (professional social workers) with the support of social promoters will be responsible for completing a stock-taking of programs and services that exist. The results will be published in a community-specific small brochure. This brochure will be updated periodically throughout the lifetime of the Project to ensure that the information is accurate and up-to-date. Professional social workers and social promoters will share these brochures with families in the communities and encourage their use of the services.

(iii) The design and development of training modules on MIFAN's family and community-based social welfare Model, including, *inter alia*, the provision of workshops and training to staff of the Recipient on such training models and the provision of related training materials to staff. The MIFAN will contract a university or similar agency to develop about ten training modules on the new Model. The university will be responsible for designing and developing the content of the training modules, the learning materials and the inter-active training resources needed to implement the Model at the central and local levels. At the same time, the university will support the training of individuals on the Model including: (i) a specialized course for 120 technical staff on the Model; (ii) post-graduate training for 420 professional social workers and other technical staff from the Ministry on family and community social interventions; and (iii) training leading to certification for 5,000 social promoters on activities related to family and community promotion. This will include training workshops and the materials needed to ensure that all social workers and social promoters nationwide are knowledgeable about the new Model.

(iv) The design of a culturally adopted family and community-based social welfare Model for indigenous and ethnic populations based on the principles set forth in the IPP. Drawing from the recommendations of the IPP, this activity will support the adaption the Model for its implementation in the different indigenous populations and ethnic communities in Nicaragua. During the first year of the Project, the adaptation of the Model will be completed for the indigenous communities which are located in seven of the 26 municipalities. In addition, the Model will be culturally adaptation for those indigenous communities in the Atlantic Coast, which are not targeted under the Project, but where the MIFAN wants to operate the Model in the future.

(v) The development and implementation of social audits and grievance systems to strengthen the implementation of MIFAN's family and community-based social welfare

Model. This activity will finance the development and implementation of a social audit to be applied in areas targeted under the Project. Furthermore, this activity will strengthen the unit under MIFAN that currently addresses general questions, complaints, and grievances. The specific mechanisms will be defined during the first year of Project implementation to ensure all complaints are addressed.

(vi) The carrying out of Minor Rehabilitation Works to MIFAN's existing offices supporting the implementation of the Project. Minor Rehabilitation Works means rehabilitation works of existing physical structures, installation of internal divisions within such physical structures and reparations in general (excluding extensions and/or new constructions).

19. ***Subcomponent 2.2: Development and Implementation of a Management Information System (US$0.4 million).*** Currently, the MIFAN registers the participants in its programs; however, there is no connection between the different records. Implementation of the new Model of attention provides the MIFAN with an opportunity to rationalize and consolidate the various mechanisms and tools being used to register and monitor activities. The new MIS would record data, generate consolidated information, and generate the reports necessary to undertake the analysis required to improve the design, implementation and accountability of the new Model. The System will gather information from the administration and operation of the Model in the whole country. At the same time it will be an important tool to monitor Project indicators. For the implementation of an integrated Model of attention, the MIFAN requires a single registry of beneficiaries to improve the management the difference programs. The registry will be designed in such a way that it could be used by other social ministries in order to facilitate coordination, particularly with the Ministries of Health and Education.

20. This Subcomponent will provide technical assistance to MIFAN for the design, construction and implementation of a management information system to improve the design, implementation and accountability of its family and community-based social welfare Model, including, *inter alia*: (i) the carrying out of data collection and digitalization activities of new and/or existing social assistance programs, (ii) the creation of a registry of beneficiaries of social assistance programs; and (iii) the provision of information and communication equipment to support the aforementioned activities. The Project will finance the conceptual design and implementation of the unique registry of beneficiaries; data collection activities and digitalization; ensuring the capacity to merge databases; provision of ICT equipment; training; and any associated operational costs including those related with inter-sectoral coordination for the merging and sharing of data.

21. ***Subcomponent 2.3: Project Management and Evaluation (US$2.2 million).*** This Subcomponent will provide technical assistance to MIFAN for strengthening Project management, coordination, supervision, monitoring and evaluation at central, regional and local levels, including, *inter alia*,

(i) The design and development of Project impact evaluations. With technical assistance from the World Bank, the Project will implement an impact evaluation to determine the added effects of the grants. The evaluation will also test the impact of the family counseling and workshops.

(ii) The carrying out of fiduciary audits under the Project. This includes four financial audits during Project implementation and a concurrent audit at the point of that the payments occur.

22. **Component 3: Supporting the Integral School Feeding Program (US$4.5 million)** This Component will provide support to the PINE Program through, *inter alia*, the purchase of inputs for school lunches to pre-school and primary school children located in Selected Poor Localities, including the distribution of such lunches and the provision of nutrition-educational materials. The Component would finance the Program in the 26 municipalities prioritized under the Component 1 of this Project during the second semester of the 2011 school year and the first semester of 2012 for nearly 110 days and benefitting some 243,000 primary school children while promoting improvement in public primary school attendance and student retention. Availability of the school feeding program in the localities targeted by the family- and community-based social welfare Model (under Component 1) would reinforce the Model's main objectives, specifically promoting the use of education services and contributing to improvements beneficiary families welfare and social well-being. International evidence suggests that school nutrition programs have had positive impacts on school attendance and retention rates.

23. **Over time, the school feeding program has had a range of modalities in terms of food content, ranging from milk to cereals (fortified nutritional drink and biscuit) to grains.** While the PINE has in recent years focused on the provision of grains, the Government has recently announced its intention to return to cereals. The new food modality, which consists of a fortified nutritional drink and biscuit, would provide around 45 percent of the nutritional daily required intake of Vitamin A, Vitamin B, Iron and Zinc and 100 percent of the required daily intake of Iron. Other supplements that will be present are: calcium, non saturated fat, protein, sugar, and folic acid. The formula for the drink has been prepared with the support of the Institute of Nutrition of Central America and Panama (INCAP), a well respected Institute in the region that has been around for more than 30 years.

24. **Modification of the food modality would mitigate some of the challenges that PINE has faced in the past with the food program.** Over the past couple of years, the distribution of grains (rice, corn, mixed cereals, beans, and vegetable oil) has had a number of challenges. Among these include: (i) inefficiencies associated with the storage of perishable food, leading to the food going bad; (ii) fluctuating food prices; (iii) required cooperation of the school community for the preparation of the school lunch; (iv) poor infrastructure for preparation of the school lunch; and (v) leakage of the grains among members of the community other than the school children. The distribution of the new modality would mitigate these issues as the price is a set price, the contents in the drink are not perishable, there is no preparation involved, and leakage of this small drink and biscuit to other members of the community is unlikely.

25. **The MINED has presented an action plan for the introduction of the new food modality.** Included in this plan is: (i) a national dialogue with related ministries, research institutes, the national nutritional faculty, the national association of producers of fortified grains, and civil society organizations working on nutrition issues; (ii) a national communications campaign for the introduction of the new food modality; and (iii) a descriptive evaluation on the impacts of the program. Actions one and two will be funded under the Japanese Trust Fund supported by the World Bank. The GoN is also working closely with the WFP to establish a

Technical Committee on School Feeding, which would inform future improvements and/or changes in the food modalities.

26. **The Program will be sustained after the Project with funds from the Government and other international donors.** Currently, the GoN has budgeted about US$5 million for the 2011 school year. Additional resources will come from other international donors. Noting the Government's priority for this Program, the World Food Program has begun technical discussions with the GoN to prepare an application for the second phase of the Education for All-Fast Track Initiative, which would include funding for the school feeding program.

27. **Overall, the estimated cost of the school feeding is about US$0.17 per child, per day including transportation,** which is comparable to the unit costs of school feeding programs in other Central American countries. The cost would also include the cost of modifying the food modality. The Component will finance the school lunch, nutrition-educational materials, a study on the cultural adaptation of the program for indigenous communities and ethnic territories, a descriptive nutritional study on the change in the food modality, and the administrative costs of the Program, including the transportation and distribution of the lunch to the schools.

Annex 2a. Programs Supported under the MIFAN

Programs Implemented by MIFAN		Objective	Coverage in 2010
Adoption Program		Ensure that the new Adoption System functions well.	70 families adopted
Restitution and Guarantee of Rights		Application of legal and/or administrative actions as instructed by the court system for children and adolescents whose rights have been violated.	1,920 children and youth
		Track and monitor the Foster Care Program, which is aimed at serving abandoned children	3,200 foster care homes
Program Amor	**a. Right to a Name (Derecho a un nombre)**	Ensuring that children from 0-12 years old are enrolled in the Civil Registry and have the birth certificate.	37,519 children
	b. Comprehensive Childcare Program (Atención Integral a la Niñez- PAININ)	Providing comprehensive childcare to children under 6 years of age through different types of education (CICO's, Base homes and CDI's)	93,071 children in 1,149 centers
	c. Solidarity Homes (Hogares Solidarios- Niños y niñas con discapacidad)	Provide health care and education to children and adolescents with disabilities.	4,364 children and youth
	d. Children in the Street (Niños trabajadores en la calle)	Deliver personalized social care for children working and/or in the street and their families, to ensure attendance in school.	13,003 children and youth
	e. Elderly People (Adultos mayores)	Provide care to older adults who are part of municipal centers or elderly homes.	2,515 elderly persons
Social Promotion and Solidarity (Promotoría Social y Solidaria)		Train community workers to carry out solidarity actions (or community actions for improving the wellbeing of children and families) within the territories.	9.480 social promoters

Annex 3: Implementation Arrangements
Nicaragua Social Protection Project

I. Main Implementation Arrangements for the Project

1. ***Institutional Structure***. The national social welfare system in Nicaragua is overseen by the **Social Cabinet for the Family and Solidarity** consisting of a Coordinator and the Ministers of Finance, Health, Education, and the Family, Youth and Children (See Figure 3.1). The Social Cabinet is responsible for overseeing the policy actions and programs supported by MIFAN within the National System of Social Welfare, including the proposed Project. The **Ministry of the Family, Youth and Children (*Ministerio de la Familia, Adolescencia y Niñez*- MIFAN)** is the implementing agency for the proposed Project. The main mechanism to ensure the required inter-sectoral coordination will be the recently established an **Cross-sectoral Technical Coordination Committee,** which will be headed by the Minister of the Family, Youth and Children and made up of technical staff representing the Ministries of Health and Education. This committee will meet 3 times a year in order to review progress on the Project, on the fulfillment of the responsibilities of each Ministry. The Committee would identify any adjustments needed in the mechanisms and instruments of inter-sectoral coordination in order to ensure integrated service provision to the families in the 26 municipalities covered under the Project.

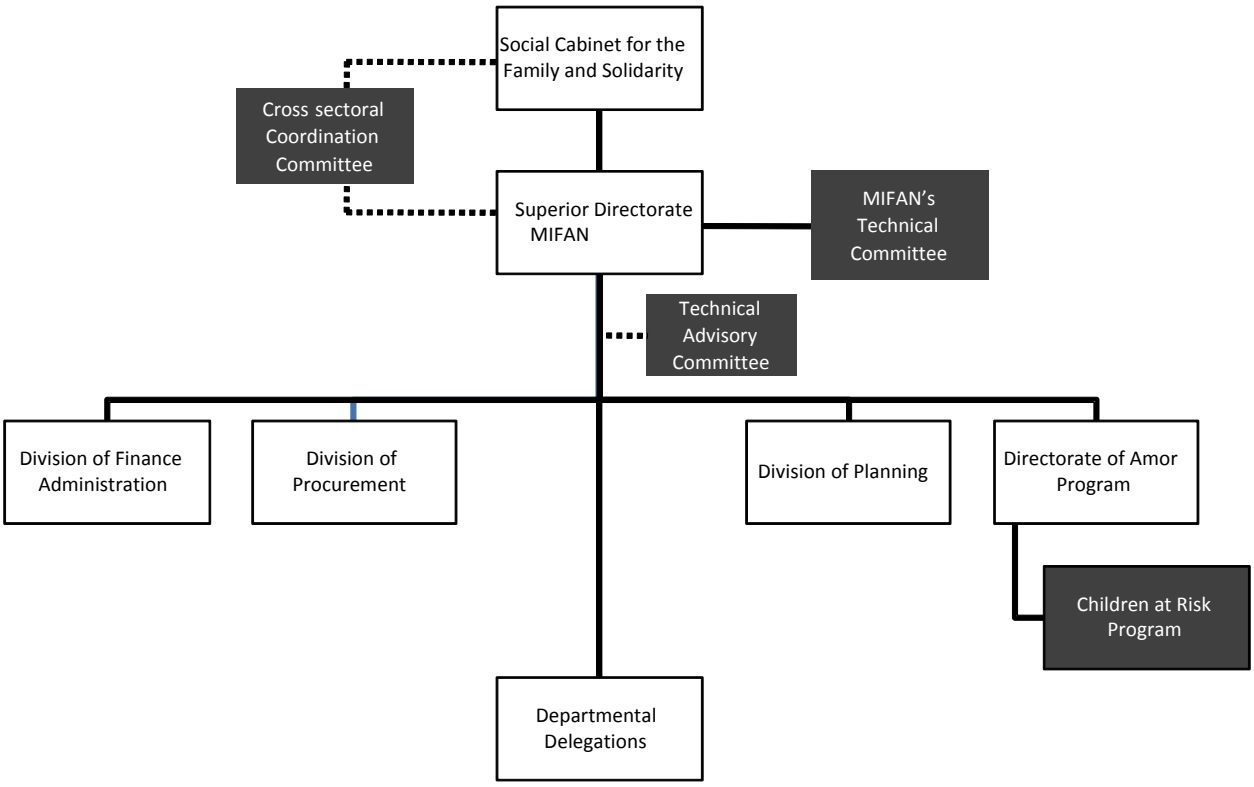
2. Project activities would be managed within the existing structure of the **Ministry of the Family** and the areas most directly related to the Project would be reinforced as necessary. The Directorate of the Amor Program is leading the implementation of the new family and community-based social welfare Model. It will be responsible for implementation of the proposed Project and would be the main link on technical matters with the Bank, through the Children at Risk Program Office, and in close coordination with the departmental delegations. The Project Coordinator as well as the staff coordinating the provision of the family transfers would be located in the Children at Risk Program Office. All operational activities supported by the Project related to Component 1 including the family counseling and the community-based educational workshops will be implemented under the *Children at Risk Program* (under the Directorate). Project resources will reinforce both the Directorate and the *Children at Risk Program Office* with technical staff.

3. Several standing committees within the structure of the Ministry of the Family also will have a role in the proposed Project. A **Technical Committee** made up of the Minister or whoever is delegated, the Superior Directorate and all other directorate and division heads, would ensure internal coordination of Project activities. The training activities of the Project (Subcomponent 2.1) would be coordinated by specially designated staff within the **Technical Advisory Committee to the Superior Directorate**, which will be in charge of the institutional strengthening supported by the Project.

4. The MIFAN is also equipped with several technical units including the **Division of Planning and Strategy Development, the Division of Financial Management, and the Division of Procurement.** Staff in the Division of Planning would be responsible for the development of the Management Information System, including the Registry of Beneficiaries (Subcomponent 2.2). It will also prepare the annual work plans and other annual reports for the

Project and ensure the necessary information flows within the Ministry. Every year an Annual Operational Plan (POA) will be prepared which will include goals, expected results, indicators, means of verification, categories of expenditures and unit and total cost estimates and an overall timetable for implementation of activities under the Project. The Procurement Division is responsible for the contracting and purchasing of goods, services and minor works for the Ministry, and will also handle these aspects for the Project. The Division of Financial Management supports the Ministry in budget- and finance-related management and administration. They will be responsible for these areas under the proposed Project, including the financial management issues related to the family grants. The Project will support the hiring of additional technical staff in the Division of Procurement for the realization of contracts and purchases (including for the Third Component of school feeding) under the Project and in the Division of Financial Management for general financial administration and management of the family grants. The Project will also reinforce the Division of Planning with several technical staff, particularly for the MIS and the Registry of Beneficiaries.

Figure A.3.1 MIFAN's Organizational Structure

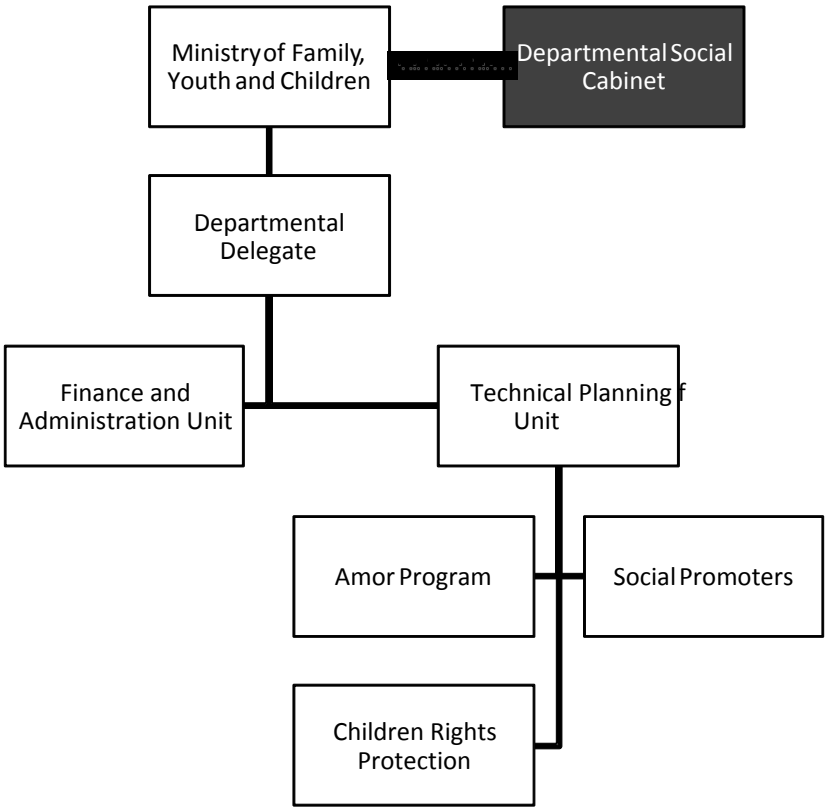


5. **At the regional level, the MIFAN is represented by departmental delegations.** Currently, the MIFAN functions in 30 delegations, located in Nicaragua's 15 geographical departments and two autonomous regions. These delegations are responsible for carrying out administrative and operational functions at the regional level and supervising the implementation and execution of MIFAN's programs at the local level. Similar to the structure at the central

level, each department delegation has a **Departmental Social Cabinet**[15] that is made up of departmental technical staff of the MINED, MOH, Ministry of Finance and MIFAN. The Departmental Social Cabinet oversees each MIFAN delegation and is responsible for organizing the institutional procedures, services and systems to facilitate cross-sectoral coordination at the departmental level.

6. Each MIFAN delegation includes a **Departmental Delegate**, who is responsible for supervising the technical and operational elements of the Project at the departmental level (see Figure 3.2). MIFAN staff in the delegation is responsible for Project implementation at the local level. The delegation has two units, one for **Finance and Administration and** the other for **Technical Planning.** The Finance and Administration Unit manages and controls all financial processes at the departmental level while the Technical Planning Unit coordinates the operational and technical activities of the Ministry's three areas of focus: the *Amor* Program, Social Promoters, and Children Rights Protection. This latter unit has specific responsibilities related to the Project: monitoring and supervising the family counseling visits, coordinating data input in the MIS, and technical coordination with the Project Coordination at the national level. The Project will finance two regional staff (social workers or similar professionals) for each of the six departmental delegations which will support the activities implemented under the Model and financed by the Project (family counseling, community-based workshops, promotion). These staff will fall under the ***Amor* Program** (under the Technical Unit of Planning).

Figure A.3.2. Departmental Delegation Organizational Structure



[15] Social cabinets also exist at the municipal level.

7. **Role of Promoters and Social Workers.** There is an extensive network of **promoters** within the country and MIFAN has a special directorate which oversees them. In the areas targeted under the Project they will have the following roles: visit beneficiary families, distribute information, help to supervise the co-responsibilities, support activities such as remedial education, and help to convoke participants for the workshops. The social workers (including individuals with other similar professional qualifications) will have the following specific roles in the context of Project implementation: carry out training, including of promoters; supervise the organization of the workshops and the work of the promoters; counsel families, including gathering information necessary for the MIS; manage the referrals of families as needed to MIFAN and other services; and prepare technical and monitoring reports.

8. **Related to activities under Subcomponent 2.2 (Development and Implementation of a Management Information System), the Ministry of the Family will enter into an agreement with the Ministry of Health (MINSA).** The agreement will provide for MIFAN to get access to data from the Health Census (Family and Community Health Histories) in order to identify the families eligible to participate in the family and community based social welfare model (including the transfers) and to agree with MINSA on the technical requirements, particularly as regards compatibility, for both the Family Health Information system and the unique registry of beneficiaries. Under the agreement, the Ministry of the Family would provide computers with internet access to health facilities located in the 26 municipalities targeted in the Project, finance data entry staff, and provide a form (MINSA-MIFAN) to collect the information on the families. The Ministry of Health would commit to share the information in the Health Census, provide space in health facilities for the data entry staff, and continue to share selected information with MIFAN in order to keep the unique registry of beneficiaries up to date. Coordination of the activities in the agreement would be the responsibility, in the case of MIFAN, of the General Directorate of the Amor Program and the General Directorate of Planning and Strategy Development, and for MINSA, the General Directorate of Planning and Development.

9. **For the execution of the family grants (Subcomponent 1.3), the MIFAN will finance the family grants to beneficiaries through a payment agency or agencies,** pursuant of the provisions of a Financial Institution Agreement or Financial Institution Agreements signed between MIFAN and the relevant Financial Institution or Financial Institutions, and under terms and conditions that are acceptable to the International Development Association (IDA or the Association).

10. **Component 3, the provision of school lunches, will be implemented by the Ministry of the Family with the assistance of the Ministry of Education. The Ministry of the Family has entered into an agreement with the Ministry of Education to define the respective responsibilities of each institution.** MIFAN will be responsible for administering the resources of the credit and carrying out all related procurement processes for goods and services, among others. MIFAN will also transfer slightly less than US$200,000 in resources from the credit to cover MINED's operating costs related to the Component. Using the resources transferred for this purpose by MIFAN, MINED will be responsible for monitoring and supervising the provision of school lunches, carrying out nutritional training activities at schools, organizing a meeting and a study in indigenous communities, and collecting information for a study on school nutrition. MINED will be responsible for using the loan resources transferred by MIFAN only for the purposes intended; accounting for the money spent according to MIFAN instructions as

set out in the Operational Manual; and providing to MIFAN supervision reports on the delivery of the school lunches and any other support necessary for the satisfactory implementation of the Component. MINED would work in close contact with the Project Coordinator located in the Children at Risk Program under the Directorate of the Amor Program of the MIFAN.

Financial Management

11. A financial management assessment has been carried out to determine Financial Management (FM) implementation risk and help establish adequate FM arrangements for the proposed operation. Recommendations and complementary actions have been provided for to ensure that the Project is implemented within a sound fiduciary environment in compliance with Bank requirements.

12. The MIFAN's General Directorate of Administration and Finance (*Dirección General de Administración y Finanzas*- DGAF), herein referred to as MIFAN-DGAF, will be responsible for the financial management arrangements of the proposed Project. It will consolidate the financial registration in the Integrated Financial Management System (SIGFAPRO) and perform reconciliation of the accounts. MIFAN-DGAF has some experience managing external donor funds and implemented a component of a Bank-financed project (Second Rural Municipal Development Project, Report No: 21536-NI) two years ago.

13. **As already described, for Component 3 MIFAN has entered into an agreement with the Ministry of Education (paragraph 10). As part of that agreement, MIFAN will transfer advances of slightly less than US$200,000 during the period of execution of the Component (estimated 18 months) to the Ministry of Education to cover its training activities and operational expenses** related to: receiving and taking stock of the school lunches; ensuring quality control of the commodities received; supervision; and monitoring and evaluating outcomes and results. Among other topics, the agreement specifies the conditions for disbursements into the second tier account and the timing, format and supporting documentation which MINED is required to send to MIFAN to report on its expenditures. The Agreement, as well as more details on the implementation arrangements of this component, is included in a specific section in the Operational Manual. The Ministry of Education already has institutional capacity related to FM arrangements as it is implementing a Bank financed project (3978-NI). This component will also be included in the audit scope to be covered by the external auditors.

14. The adequacy of FM arrangements will be continuously monitored during Project supervision and adjustments made, when necessary, to ensure fiduciary compliance.

15. **Staffing.** The existing staff structure will be complemented through the hiring of a Financial Management Specialist and an Accountant, both with the appropriate skills, experience and knowledge to perform the FM functions. In order to reinforce MIFAN's Internal Audit Department, it is proposed to hire two additional senior auditors to follow-up on the general execution of the Project, but especially the beneficiaries' transfer payments. This staff would be contracted before disbursements start on the family grants expenditure category.

16. **Accounting System.** MIFAN-DGAF will use the Integrated Financial Management System (SIGFAPRO) and will report on a cash basis.

17. **Project Financial Reporting.** The MIFAN-DGAF will prepare financial information on a semi-annual basis and submit it through the Bank Interim Financial Reports (IFRs) containing: (i) Statement of Sources and Uses of Funds (with expenditures classified by disbursement category) and Cash Balances; and (ii) Statement of Budget Execution (with expenditures classified by subcomponent), along with the reconciliation of the segregated account with project records and with the Budgetary execution in SIGFA. All documentation for consolidated SOEs will be maintained for post review and audit purposes for up to three years after the closing date of the project or for 18 months after receipt by the Association of an acceptable final financial audit, whichever is later.

18. The IFRs will be submitted no later than 45 days after the end of each semester for the Bank's review. This review will enhance FM supervision, enabling periodic control over the proposed Project's accounts and complementing the planned supervisions, thus helping to mitigate fiduciary risk.

Payment of Family Grants

19. The Bank and MIFAN have agreed that a financial institution(s) will be hired using a competitive process to handle the payment of the family grants. This contract (s) is expected to be financed by the Credit (see para 43). The terms of reference would specify that the financial institution(s) would need to define a mechanism for verification of the identify of payment recipients, particularly in the absence of the official national identification document, in order to ensure that only the correct beneficiaries receive the family grant. Upon selection of the financial institution, the Bank FMS will perform due diligence work to review the capability of the institution(s) and ensure adequacy of capacity for beneficiary payment processing, and for control and reporting according to the fiduciary standards for this type of operation. In order to assess the proposed mechanism (s) for verification of the payment recipient identify, the FM team will take into account experience in the use of different alternatives which have been found satisfactory to the Bank in other contexts. The financial institution or institutions contract (s) also would include the relevant anti-corruption clauses in accordance with Bank procedures. **In order to ensure that adequate controls are in place on the process of paying the family grants to beneficiaries before starting payments in a Participating Department, the contracting of the financial institution(s) for that Participating Department, on terms and conditions acceptable to the Bank, would be a condition of disbursement of the respective family grants category of expenditures.** Additional details on the payment process for cash transfers would be included in the Project's Operational Manual once confirmed, expected no later than the end of 2011. These would include how the Ministry would follow up with the beneficiaries to verify the adequate receipt of the family grant. In addition, a 24 hour available phone line as a "complaint and suggestions" tool is already available in MIFAN.

20. It is expected that MIFAM would contract a Financial Institution(s) to deliver the payments to participants by the end of 2011. Accordingly to a monthly payroll (the list of those beneficiaries who have not been suspended and for whom compliance with co-responsibilities has been verified), MIFAM would advance the amounts to an operating account opened by the contracted payment agent. The Financial Institution would be responsible for distributing cash transfers to participants directly. Upon completion of the payment process, the Financial Institution would present the supporting documentation to MIFAN to "clear" the advances. Only

payments actually made to participants would be considered eligible documented expenditures, for purposes of the Bank. Funds advanced that do not get paid would most likely be deducted from the next advance. During implementation, MIFAN would be responsible for carrying out reconciliations between the payment information presented by the Financial institution(s) and the participant database. It is important to note that MIFAN has experience working with cash transfer programs, as in the *Red de Protección Social* and a Pilot Component from the Poverty Reduction and Local Development Project (Cr.3504-NI), which distributed cash transfers to participants through its Departmental Delegations.

21. **Expanded Scope of the External Audit.** An external, independent, private firm, acceptable to the Association, will be contracted by MIFAN no later than three months after Project effectiveness to audit the entire amount of the Credit. An Audit Firm will be hired for the entire implementation period of the proposed Project to carry out the annual financial audit and a concurrent operational review of the beneficiaries' payments, which will be done for each payment cycle. This contracting is the first activity included in the Procurement Plan (PAC). The scope of the firm's work will include: a review of the internal control mechanisms for paying the family grants (transfers); a check on the payment transactions; the reconciliation process and the return to MIFAN of any amounts not collected by beneficiaries; and verification that beneficiaries for whom payments are authorized are in the unique registry of beneficiaries and have been reported to have complied with their co-responsibilities and have not been suspended. The firm will be required to provide interim reports on any fiduciary issue on the cash transfer component. The result of the audits will be required as part of the supporting documentation that will need to be submitted under the category financing the family grants (transfers), beginning with the third payment cycle after transfers begin. A request for an international audit firm is up for consideration. Additionally the audit firm will review and provide opinion on the Annual Financial Statements. The report will cover the fiscal year, which coincides with the calendar year. The audited financial statements shall be presented to the Association no later than six months after the end of the fiscal period. Terms of References (TORs) will be designed with an amplified scope for specific review of the Designated Account. TORs and a short list will be reviewed for the Association's no objection.

22. **Internal Control.** The MIFAN is subject to the control of the Internal Audit Department. Under international standards, it is expected that the Internal Audit Department include the revision of the financial documentation of this Project in its internal audit plan. The internal audit plan should include actions for review of the Project if the Association requires it.

23. **Flow of funds.** Considering that all the funds of this operation will be Credit, there is a need to open a new Designated Account with an authorized ceiling of US$800,000 for expenses in all the categories except the one referring to the family grant transfers. Copies of records would be used to support disbursement during the entire execution of the Project. Disbursements would be made against standard documentation throughout the entire execution of the Project, and documentary evidence would be sought by the Bank for expenditures above thresholds in the Disbursement Letter. For the case of the family grants payments a separate Designated Account is proposed with an authorized ceiling of US$1 million. Both Designated Accounts would be subject to the mechanism of replenishment by the SOE method. In the case of the Designated Account for the family grants payments, a customized Statement of Expenditure (SOE) will be prepared in which MIFAN would submit a statement of provisional vs. the executed family

payments for each Department, as well as the results of the concurrent audit mentioned above (para 19), beginning with the third payment cycle after transfers begin. Reconciliation of both DAs would also be part of the documentation supporting the Statement.

24. Both Designated Accounts would be subject to the mechanism of replenishment by the SOE method. The DAs initial amounts could be changed and amended in the Disbursement Letter upon specific request. The Designated Account will be located in the Central Bank of Nicaragua under the control of the Treasury from where the funds will be transferred to the MIFAN-DGAF's operating account to finance expenditures accordingly. The disbursements for the proposed project would be subject to standard and approved Bank disbursement methods, which would be defined in the Disbursement Letter. These would include reimbursements, advances and direct payments.

25. **Financial Management Action Plan.** An Action Plan has been agreed on with the MIFAN-DGAF to ensure that adequate FM systems are in place before implementation begins. Detailed activities are presented in Table A.3.1.

Table A.3.1 Action Plan for MIFAN-DGAF

Action	Responsible Entity	Completion Date[16]
1. Contracting of the financial institution(s) by MIFAN for the cash transfer component of the Project (including payment scheme and reconciliations).	MIFAN-DGAF	December 2011
2.Finalize the modifications to the FM section of the Operations Manual w/special consideration to beneficiaries payments	MIFAN-DGAF	December 2011
3. Contract one FM Specialist and one accountant for the Project.	MIFAN-DGAF	January2011
4. Contract external auditors, based on an Expanded scope TORs and short list satisfactory to the Bank for the entire implementation period of the Project. These TORs will cover a financial audit and concurrent operational audits of the family grant transfers.	MIFAN-DGAF	March 2011
5. Provide specific training in FM & Disbursements: for project FM Staff	World Bank	February 2011

26. **WB FM Supervision Plan.** A World Bank FM specialist will complete a supervision mission prior to Project's effectiveness to verify the implementation of the unit and the FM system. After effectiveness, the FM specialist will review the annual audit report, the financial sections of the bi-annual IFRs, including a monthly reconciliation of accounts, and perform at least one complete supervision mission per year, which could be complemented by other supervisory actions as necessary.

27. The biggest component relating to Family Transfers (US$10.5 million representing 54 percent of the total Project amount) puts the FM risk at a **Substantial** level. The proposed mitigation measures and supervision plan designed to help reduce identified risks and weaknesses. The risk assessment process aims at identifying FM risks so as to take appropriate

[16] This column presents the estimated completion date, and is not an indication of legal conditions.

measures mitigating identified project risks. This enables the Bank to make decisions on the appropriate level of supervision intensity allocating FM resources in a manner consistent with assessed risks. While every effort has been made to minimize risk stemming from financial management, certain risks exist in a project of this type. However, proposed mitigating measures would adequately cope with the identified risks.

Disbursements

28. ***Disbursement Schedule.*** The following table specifies the categories of Eligible Expenditures that may be financed out of the Project's proceeds, the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Table A.3.2. Disbursement Table

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Family Grants under Part 1(c) of the Project (a) Chinandega (b) León (c) Matagalpa (d) Estelí (e) Madriz (f) Jinotega	 1,100,000 1,100,000 1,000,000 1,000,000 1,000,000 1,000,000	100%
(2) Goods (excluding pesticides), Minor Rehabilitation Works, Consultants' Services, Non-consultant Services, Operating Costs, Training and Project audits under Parts 1 and 2 of the Project	3,600,000	100%
(3) Goods (including provision of school lunches), Consultants' Services, Non-consultant Services, Operating Costs and Training under Part 3 of the Project	3,000,000	100%
TOTAL AMOUNT	12,800,000	

29. ***Special Withdrawal Conditions:*** Notwithstanding the provisions of Part A of this Section IV, no withdrawal shall be made: (a) for payments made prior to the date of this Agreement; and (b) for payments made to provide Family Grants in any given Participating Department under the relevant subcategory of Category (1), unless the Recipient has furnished to the Association, evidence acceptable to the Association, confirming that the Recipient has entered into the pertinent MIFAN-Financial Institution Agreement.

Procurement

30. Procurement for the proposed project would be carried out in accordance with the World Bank's "Guidelines: Procurement Under IBRD Loans and IDA Credits" dated May 2004 revised October 2006 and May 2010; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 revised October 2006 and May 2010, and the provisions stipulated in the Legal Agreement. In addition, to be in line with what was agreed with the Nicaraguan Government, all procurement under National Competitive Bidding will have to be advertised in a local newspaper and on the Government's webpage www.*nicaraguacompra.gob.ni*. These will also be used for publishing all procurement processes under this project, independent of their estimated costs.

31. The Ministry of Family, Youth and Children (MIFAN), through its technical line units (Administration and Finance and Procurement) and the Directorate of the *Amor* Program, will be responsible for the implementation of the Project's activities. Procurement of all activities will be under the responsibility of the Ministry's Division of Procurement.

32. Under the proposed Project, there are three components: (1) **Component 1:** *Improving the basic conditions of welfare and social well-being of extremely poor families* (US$11.3 million) - would include cash transfer of funds (grants); printing materials for workshops, hiring of consultants, operating costs including travel and other administrative expenses, the bank commissions or other costs associated with the delivery of the grants to families; (2) **Component 2:** *Strengthening of MIFAN's Capacity* (US$3.7 million) would include contracting of qualified institution to develop and/or improve the current family and community-based social welfare model; training; IT equipment; consultant services, and hiring auditors (procurement and financial audits); and (3) **Component 3:** Supporting the Integral school feeding program (US$4.5 million) includes provision of food delivered to schools in those same localities targeted under Component1.

33. **Assessment of the Agency's Procurement Capacity:** An assessment of the implementing agency's procurement capacity was carried out on October 14, 2010. The assessment reviewed the organizational structure for implementing the project, the quantity and capacity of relevant staff responsible for procurement, the relationship between the procurement office and the technical, administrative, and financial offices within the Ministry of Family. The evaluation also verified the administrative and operating manuals and standard procurement documents that were to be used, the institution's filing capacity, its support systems used for supervising and controlling the whole procurement cycle, and concluded that there is an ample room for improvement in order to carry out its procurement function for the project. The assessment also noted that the coordination between the Division of Procurement and the technical line divisions within the MIFAN needs improvement. MIFAN, under the current Administration, has never implemented a World Bank financed project, although it has some

experience with the Inter-American Development Bank's procurement and consultant guidelines which are similar to the World Bank's guidelines.

34. Based on this assessment, the overall procurement risk for the Project is considered *High* due to: (a) the current procurement staff's limited experience with the Bank's procurement procedures; (b) the Procurement Division's inadequate working conditions (lack of equipment and resources to carry out responsibilities); and (c) the current staff's lack of prior experience in contract supervision.

35. To mitigate this risk, two Procurement Specialists and one Procurement Analyst will be hired under TORs acceptable and previously agreed with the World Bank. One of the Procurement Specialists will be considered for a short term appointment for the purchase of goods under the school feeding Component. The institution's capacity to perform the Bank's procedures will be revisited throughout the lifespan of the Project. The mitigation action plan as summarized below (See table after paragraph 45) will be monitored and updated regularly. The institution's capacity to follow the Bank's procedures should be revisited throughout the life of the Project in order to provide the government and the Bank with the current rating.

36. **The various items under different expenditure categories in general are described below.** For each contract to be financed by the Credit, the different procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements, and timeframe have been agreed upon between the Borrower and the Association and will be part of the Procurement Plan. The Procurement Plan will be updated at least once a year or as required to reflect the actual project implementation needs.

37. In terms of procurement planning and monitoring/control systems, the MIFAN's Division of Procurement will be implementing the Bank-sponsored Procurement Plan Execution System (SEPA) – a system that allows the client, the Bank, and civil society to follow-up project implementation on a public website. This initiative will add consistency and transparency to the implementation of project activities, and it is considered one additional tool in fighting fraud and corruption in Bank projects.

38. **Procurement of Works:** Works procured under this project, would include only small contracts for minor rehabilitation or maintenance works within existing offices related to Project implementation at the Ministry of the Family, including the Procurement and Financial Management Divisions, using the Shopping method. While these contracts are not expected to prequalify bidders or exceed International Competitive Bidding (ICB) or NCB thresholds, if they were to do so, procurement of such works will be done using the Bank's Standard Bidding Documents (SBD) for all ICB processes; or documents agreed with or satisfactory to the Bank shall be used. All Shopping procedures shall use the (*Price Comparison*) document already agreed with the Bank. These formats and SDBs will be included as annexes in the Project's Operational Manual.

39. **Procurement of Goods:** Goods procured under the proposed Project would include computers and other IT equipment, software, office equipment, food for the target schools under Component 3, printing and reproduction of books, manuals and/or materials (not associated with training) and furniture and supplies. The procurement will be done using the Bank's SBD for all ICB method and in all cases of NCB, the SBD agreed with or satisfactory to the Bank shall be used. For small value goods, shopping procedures will use Nicaragua's standard *Request for Quotation* documents agreed with the Bank, and in accordance with paragraph 3.5 of the

Procurement Guidelines. The SBDs will be included as annexes in the Procurement Chapter of the Project's Operational Manual.

40. **Procurement of non-consulting services:** Non-consulting services to be procured under the project would include: hiring of a payment agent to handle the payment of the cash transfer in the 26 preselected municipalities; training logistics (hotel services, catering, travel services, per diem), media campaigns, and related services for institutional strengthening components. The procurement will be done using SBD and simplified formats agreed with or satisfactory to the Bank for International or National Competitive Bidding and Shopping procedures, respectively. The SBDs and simplified formats will be part of the Procurement chapter of the Project's Operational Manual.

41. **Selection of Consultants:** The proposed Project would finance consultant services by firms and individuals. These services would include technical and supervision support for the different components of the project and the preparation and carrying out training activities; Short lists of consultants for services estimated to cost less than US$200,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Bank's Consultant Guidelines. Regardless of the method used or the estimated cost of the contract, selection and contracting of consultant firms will be done using the Bank's Standard Request for Proposals (SRfP). Selection and contracting of individual consultants will be done using a simplified request for curriculum vitae (CVs) and a contract model agreed with or acceptable to the Bank. Such documents shall be part of the Project's Operational Manual. Selection of 12 service delivery contractors will be done using a contract model agreed with or acceptable to the Bank under 3.21 of the Consultant Guidelines, provided that the job description, minimum qualifications, terms of employment, selection procedures, and the extent of Bank review of these procedures and documentation will be included in the operational manual.

42. **Operating Costs:** Refer to reasonable recurrent expenditures that would not have been incurred by the implementing agency in the absence of the project, such as travel expenses to/from the municipality to the families receiving specialized counseling and training. They may also include operation and maintenance of office equipment purchased under the project, as well as consumable office materials, as needed for the implementation of the project. All these activities would be procured using the implementation agencies' administrative procedures, which were reviewed and found acceptable to the Bank which should be detailed in the Procurement Chapter of the Operational Manual.

43. **Procurement Thresholds and Bank's reviews:**

Acronyms (English)	**Works and/or Non Consultant services**	**Acronyms (Spanish)**	**US$ equivalent Thresholds**		**Prior Review**
ICB	International Competitive Bidding	LPI	Equal/More than	1,500,000	(ALL)
NBC	National Competitive Bidding	LPN	Equal/More than	150,000	The first two
PC	Shopping	CP	Less than $	150,000	The first three
DC	Direct Contracting	CD	Any Amount		(ALL)
	Goods and/or Non Consultant services		**US$ equivalent Thresholds**		**Prio Review**
ICB	International Competitive Bidding	LPI	Equal/More than	150,000	(ALL)
NBC	National Competitive Bidding	LPN	Equal/More than	25,000	The first two

PC	Shopping	CP	Less than $	25,000	The first three
DC	Direct Contracting	CD	Any Amount		(ALL)
	Selection of Consultants		**US$ equivalent**		**Prior Review**
	Firms		Thresholds		
QSBS	Selection based on Quality and Cost	SBCC	More than $	100,000	(ALL)
QSBS	Selection based on Quality and Cost	SBCC	Less than $	100,000	The first one
CQS	Selection based on Consultants Qualifications	SCC	More than $	100,000	The first two
LCS	Least Cost Selection	SBMC	More than $	50,000	The first two
SSS	Single Source Selection	SSF	Any Amount		(ALL)
Individual Consultants					
IC	Individual Consultant (*)	CI	More than $50,000	$50,000	(ALL)
(*)	**Following Section V of the WB Rules for the Selection and Contracting of Consultants and Service Delivery Contractors in Accordance with Paragraph 3.21 of the Consultant Guidelines**				

44. **Frequency of Procurement Supervision:** In addition to the supervision to be carried out from Bank offices, the capacity assessment of the Implementing Agency has recommended one supervision mission per year in the field to carry out an ex- post review of procurement actions. The size of the sample for post-review will be 1 in 5 in all cases 5.

45. **Advertising.** A General Procurement Notice for hiring of consultant services, and the ICB for goods and non-consulting services should be published in the United Nations Development Business-UNDB and dgMarket. Specific Procurement Notices and Request for Expressions of Interest would be advertised in accordance with the provisions of the Guidelines. The Government webpage *www.nicaraguacompra.gob.ni*, will be used to advertise all shopping methods and the selection of all individual consultants.

MITIGATION MEASURE ACTION PLAN

Nicaragua Social Protection (P121779)
13-Dec-2010 (Seq. 3)

Agency: Ministry of the Family, Youth and Children

RISK FACTOR 1

Description: Accountability for Procurement Decisions in the Implementing Agency or Agencies

Rating: High

Risks

1. Lack of clarity on who is accountable for which procurement decisions
2. Insufficient checks and balances because procurement decision makers not empowered

Mitigation Measures

Description	Assigned Date	Status	Planned Due Date	Actual Completion Date	Responsible Entity	Assignee	Comments
1. Ensure that procurement decision making is fully covered in the Manual of the Agency and is available/known to staff	3-Nov-2010	In Progress	31-Mar-2011		Recipient	MIFAN	N/A
2. Implement a formal and written system of delegation of authority to the procurement staff in the implementation agency.	23-Nov-2010	Recommended	31-Mar-2011		Recipient	MIFAN	There's a necessity to implement a formal and written system that assures a formal delegation of authority to the procurement staff in the implementation agency.

RISK FACTOR 2

Description: Internal Manuals and Clarity of the Procurement Process

Rating: High

Risks

1. Staff have no practical guidance on the steps of the procurement process and do it incorrectly
2. High number of complaints relating to incorrect application of the procurement process
3. Inability of agency staff to actually apply procurement process consistently and correctly
4. Tentative or incorrect application of procurement process resulting in delays.
5. Manuals not consulted, resulting in ad hoc application of rules or mismanagement of procurement process with increased cost and time
6. Complaints and loss of confidence in the system with consequential increased costs

Mitigation Measures

Description	Assigned Date	Status	Planned Due Date	Actual Completion Date	Responsible Entity	Assignee	Comments
1. Prepare operational manual as part of project preparation and/or make it a condition of project effectiveness	23-Nov-2010	In Progress	30-Dec-2010		Recipient	MIFAN	Ensure that the necessary guidance (step by step) is included in the special and detailed procurement chapter of the operational manual.
2. Increased supervision effort of steps in procurement process	13-Dec-2010	Assigned	31-Mar-2011		Bank	Bank	
3. Organize dissemination effort and improve accessibility to manuals and instructions	13-Dec-2010	Recommended	31-Mar-2011		Receipient	MIFAN	N/A
4. Organize mentorship or learning programs to build confidence and skills in application of manuals	13-Dec-2010	Recommended	31-Mar-2011		Bank	Bank	It is necessary to hire a local consultant for this task.
5. Organize capacity building with emphasis on understanding and application of procurement process	13-Dec-2010	Recommended	31-Mar-2011		Bank	Bank	Bank should prepare/deliver project launch seminar

RISK FACTOR 3

Description: Record Keeping & Document Management Systems

Rating: High

Risks

1. Records may be destroyed, lost, or altered for illegal or corrupt purposes
2. Difficult to audit, review, resolve disputes
3. Increases in cost/time of supervision and decrease in effectiveness of supervision
4. Facilitates abuse and corruption

Mitigation Measures

Description	Assigned Date	Status	Planned Due Date	Actual Completion Date	Responsible Entity	Assignee	Comments
1. Agree and include as part of the project funding to improve safe keeping of records	8-Nov-2010	Completed	30-Nov-2010	3-Dec-2010	Recipient	MIFAN	N/A
2. Include auditing of filing practices in TOR for audits	3-Nov-2010	Recommended	31-Mar-2011		Recipient	MIFAN	This requirement should be part of the Operational Manual
3. Implement record security and backup program as early as possible in the project	3-Nov-2010	Recommended	30-Jun-2011*		Recipient	MIFAN	First, supply the Procurement Unit with adequate furniture and equipment. Second, implement an electronic file system (i.e SIGFAPRO archive system)

RISK FACTOR 4

Description: Staffing

Rating: High

Risks

1. Improper implementation of procurement activities under the project (in terms of efficiency, competition, transparency)
2. Implementation delays and poor quality of contract deliverables
3. Obsolescence in procurement and CM knowledge leading to continued poor quality of results
4. Biased advise from incompetent staff and potential for political patronage
5. Staff disregard ethical standards and operate in a corruption prone environment

Mitigation Measures

Description	Assigned Date	Status	Planned Due Date	Actual Completion Date	Responsible Entity	Assignee	Comments
1. Agree on a plan to acquire the necessary procurement expertise (e.g. through hiring, outsourcing etc)	3-Nov-2010	Recommended	31-Mar-2011		Recipient	MIFAN	n/a
2. Agree on a training program (internal/ external) to be implemented over the life of the project that is both relevant and practical	3-Nov-2010	Recommended	31-Mar-2011		Bank	Bank	n/a
3. Develop and implement formal recruitment system that ensures competition and competitive compensation	13-Dec-2010	Recommended	31-Mar-2011		Recipient	MIFAN	The recruitment system should be agreed and have prior approval of the Bank.

RISK FACTOR 5

Description: Procurement Planning

Rating: Substantial

Risks

1. Delayed implementation and ad hoc procurement resulting in overstocking or insufficient quantities for project needs
2. Contract packages might require purchasing and resale of goods by another supplier if not properly grouped, resulting in higher costs due to lack of interest/competition
3. Poor quality procurement and outcomes due to limited procurement and contract administration capacity of Agency
4. Delay in project processing and implementation due to lack of proper planning
5. Loss of good bids due to non availability of funds and increased costs and delay of actual contracts
6. Potential risk of corruption due to diversion of funds to items not needed for project, to purchase of excess quantities and to the lack of a good comparator to establish reasonableness of bid prices

Mitigation Measures							
Description	**Assigned Date**	**Status**	**Planned Due Date**	**Actual Completion Date**	**Responsible Entity**	**Assignee**	**Comments**
1. Arrange for appropriate support (staff, training, tools) to prepare the project procurement plan such that there is a clear relation between project objectives and the procurement plan	3-Nov-2010	Completed	30-Nov-2010	3-Dec-2010	Recipient	MIFAN	Bank is currently working with prospective recipient
2. Establish a clear relation between the project needs and the procurement plan with a credible substantiation of estimated quantities and timetable and estimates consistent with market rates	3-Nov-2010	Completed	30-Nov-2010	3-Dec-2010	Recipient	MIFAN	Prospective recipient presented its draft for the first 18 months at the Negotiation stage.
3. Require periodic reviews to identify/remove the cause of the variances between planned and actual and agree on recommendation to avoid occurrence in the procurement and delivery schedule - intensify supervision	3-Nov-2010	Completed	30-Nov-2010	3-Dec-2010	Recipient	MIFAN	n/a
4. Repackage contracts in commercial groups of goods/works/services to ensure competition in line with market of procured items	3-Nov-2010	Recommended	30-Nov-2010	3-Dec-2010	Recipient	MIFAN	Present a PP for the first 18 months considering these mitigation actions.
5. Revise plan based on realistic timing of contracts and cash flow constraints. Repackage contracts in an efficient way to increase competition and reduce costs. Build Anti-corruption control plan into project design.	8-Nov-2010	Completed	30-Nov-2010	3-Dec-2010	Recipient	MIFAN	With the assistance of Bank staff and consultant -- the prospective borrower finalized the PP.
6. Repackage contracts in a size manageable by the agency. If repackaging not appropriate, reinforce procurement and technical and/or contract administrative capacity of the agency as needed (e.g. consultants).	3-Nov-2010	Completed	30-Nov-2010	3-Dec-2010	Recipient	MIFAN	Bank hired a consultant to provide support and capacity building to recipient's staff because MIFAN has no designated funds.
7. Procurement planning and monitoring/control systems, MIFAN will be implementing the Bank-sponsored SEPA.	13-Dec-2010	Recommended	31-Mar-2011*		Recipient	MIFAN	SEPA is a system that allows the client, the Bank and civil society to follow-up project implementation.

RISK FACTOR 6

Description: Bidding documents,(pre-)qualification, shortlisting, and evaluation criteria

Rating: High

Risks

1. Bidders not qualified for the specific assignment
2. Unbalanced competition due to unbalanced shortlists and highly qualified bidders are excluded from bidding
3. Technical specifications/TORs are vague or restrictive to few bidders/firms
4. Project delays due to unfinished bidding documents/RFPs
5. Implementation delays because no standardized BDs for NCB, known to local bidders
6. Non-competitive processes for NCB

Mitigation Measures

Description	Assigned Date	Status	Planned Due Date	Actual Completion Date	Responsible Entity	Assignee	Comments
1. Ensure the technical specialist confirms that the criteria are pass fail and appropriate	3-Nov-2010	Recommended	31-Mar-2011		Bank	Bank	n/a
2. Ensure all firms on shortlist are qualified and consist of firms that form a level playing field	3-Nov-2010	Recommended	31-Mar-2011*		Recipient	MIFAN	n/a
3. Involve technical staff and users in preparation of specifications or agree to hire competent consultants to draft TS/TORs	3-Nov-2010	Recommended	31-Mar-2011*		Recipient	MIFAN	n/a
4. Use advance contracting or other facility to get documents ready by loan signing at the latest	13-Dec-2010	Recommended	20-Jan-2011*		Recipient	MIFAN	Docs. should be agreed beforehand with Bank.
5. Prepare acceptable sample bidding documents for NCB	13-Dec-2010	Recommended	31-Mar-2011*		Recipient	MIFAN	Based on Bank SBD for ICB -- adapt for NCB
6. Agree on list of unacceptable NCB issues and remove them from documents to be used for Bank financed procurement	13-Dec-2010	Recommended	31-Mar-2011		Bank	Bank	n/a

RISK FACTOR 7

Description: Advertisement, Pre-bid/proposal Conference and Bid/Proposal Submission

Rating: High

Risks

1. Tampering with bids due to poor security

2. No equal access by eligible bidders to process resulting in reduced competition
3. Reduced competition, incomplete or defective bids
4. Tampering with bids due to poor opening procedures.
5. Potential Collusion or unattractive packaging
6. Tampering with bids due to poor security

Mitigation Measures

Description	Assigned Date	Status	Planned Due Date	Actual Completion Date	Responsible Entity	Assignee	Comments
1. Negotiate arrangements for safe-keeping of bids/proposals with Bank	3-Nov-2010	Recommended	31-Mar-2011*		Recipient	MIFAN	n/a
2. Establish advertising policy and develop sample advertisement in line with the requirements of Bank Guidelines	13-Dec-2010	Recommended	31-Mar-2011*		Recipient	MIFAN	The CMU has developed and agreed with the Government (DGCE) a sample to be used by all institutions within the country.
3. Establish and agree on bid opening procedure that meets the standards of the Bank Guidelines	13-Dec-2010	Recommended	31-Mar-2011*		Recipient	MIFAN	Borrower's Operational Manual shall include such procedures approved by the Bank.
4. Negotiate reasonable and absolute minimum time for bid preparation and submission	13-Dec-2010	Recommended	31-Mar-2011*		Recipient	MIFAN	n/a

RISK FACTOR 8

Description: Evaluation and Award of contract

Rating: High

Risks

1. Lack of understanding of what is to be procured resulting in improper evaluation and incorrect awards
2. Leakage of evaluation information
3. Many iterations resulting in delay and loss of good bids
4. Inadequate criteria and potential for manipulation of bid evaluation
5. Potential for Fraud/corruption and collusion
6. Wrong award decision made because of inadequate information
7. Deficiencies in evaluation and possible attempts to corrupt the system

Mitigation Measures

Description	Assigned Date	Status	Planned Due Date	Actual Completion Date	Responsible Entity	Assignee	Comments
1. Agree on selection criteria for members of the evaluation committee, including technical expertise and review EC composition regularly	3-Nov-2010	Recommended	31-Jan-2011		Recipient	MIFAN	This mitigation action shall be part of the Operation Manual

2. Develop standard template for evaluation report for project/agency and ensure compliance	3-Nov-2010	Recommended	31-Mar-2011*		Recipient	MIFAN	Bank's standardized evaluation reports shall be used, and for the NCB/shopping methods the sample shall be agreed with the Bank.
3. Ensure criteria are clear and quantifiable in monetary terms and monitor compliance with set criteria	13-Dec-2010	Recommended	31-Mar-2011*		Recipient	MIFAN	n/a
4. Agency to increase due diligence of winning bidder prior to awarding. Bank staff use online Fraud and Corruption Red Flag Tool and/or discuss with RPM/INT.	13-Dec-2010	Recommended	31-Mar-2011*		Recipient	MIFAN	Agency should provide its procurement monitoring system for Bank's approval.
5. Determine patterns of causes of complaints and potential remedies to address them with capacity building or provide technical assistance in the project	13-Dec-2010	Recommended	31-Mar-2011		Bank	Bank	n/a

RISK FACTOR 9

Description: Review of Procurement Decisions and Resolution of Complaints

Rating: High

Risks

1. Lack of trust in the system due to inefficient system that does not deliver results
2. Disincentive to competition due to lack of system to resolve complaints
3. Long and cumbersome dispute resolution resulting in project delays and increased costs

Mitigation Measures

Description	Assigned Date	Status	Planned Due Date	Actual Completion Date	Responsible Entity	Assignee	Comments
1. Set deadlines for submission of complaints and for decision making by the agency	3-Nov-2010	Recommended	31-Mar-2011*		Recipient	MIFAN	This requirement shall be part of OM
2. Establish/improve and implement complaint management system	13-Dec-2010	Recommended	31-Mar-2011*		Recipient	MIFAN	N/A
2. Establish administrative complaints review process by approving authority	13-Dec-2010	Recommended	31-Mar-2011*		Recipient	MIFAN	N/A

RISK FACTOR 10

Description: Contract Management and Administration

Rating: High

Risks

1. No control over project pace, delays
2. Increased claims
3. Substandard goods or works, loss of benefits, shortened project life, waste, theft
4. Delays in project or increase in claims due to slow contract implementation
5. Delays in project or increase in claims due to slow processing of contract amendments
6. Increased contract costs to cover legal risks and costs which discourages competition and/or delays the closing of contracts
7. Extra costs and eventual delays in project due to backlog of unresolved claims

Mitigation Measures

Description	Assigned Date	Status	Planned Due Date	Actual Completion Date	Responsible Entity	Assignee	Comments
1. Establish CM system	3-Nov-2010	Recommended	31-Mar-2011*		Recipient	MIFAN	n/a
2. Review and agree on actions to regularize or increase cash flow as needed by project or reschedule procurement to meet cash flow or increase Bank financing percentage	3-Nov-2010	Recommended	31-Mar-2011*		Recipient	MIFAN	n/a
3. Develop and implement quality assurance arrangements and inventory controls	3-Nov-2010	Recommended	31-Mar-2011*		Recipient	MIFAN	Recipient should present its system to the Bank
4. Review causes for recurrent amendments and cost overruns. Develop suitable corrections to planning, estimates, lack of proper designs, etc.	3-Nov-2010	Recommended	31-Mar-2011*		Recipient	MIFAN	n/a
5. Establish system to monitor and expedite contract modifications or change orders. Include as part of the TOR for procurement audits.	3-Nov-2010	Recommended	31-Mar-2011*		Recipient	MIFAN	n/a
6. Discuss and revise as needed a policy for handling and resolving claims. Include as part of the TOR for procurement audits.	13-Dec-2010	Recommended	30-May-2011*		Recipient	MIFAN	Recipient should assist borrower to prepare the required documents.
7. Agree on appropriate dispute resolution provisions for contracts (at least for Bank financed ones, note that it is mandatory for ICB)	13-Dec-2010	Recommended	31-Mar-2011*		Recipient	MIFAN	Recipient should present the provisions stipulated in the local law.

RISK FACTOR 11

Description: Procurement Oversight

Rating: High

Risks

1. Suspension of disbursements
2. Insufficient oversight of procurement, lack of compliance with Bank fiduciary obligations, misprocurement
3. Possibility of the Bank having to exercise its right to suspend disbursements
4. Unreliable oversight of operations, abuse
5. Lack of public oversight may lead to abuse and corruption

Mitigation Measures

Description	Assigned Date	Status	Planned Due Date	Actual Completion Date	Responsible Entity	Assignee	Comments
1. Require audit by independent private auditors	3-Nov-2010	Recommended	31-Mar-2011*		Recipient	MIFAN	Requirement shall be part of the OM
2. Include appropriate coverage of procurement aspects to meet project requirements in the audit TOR. Need to distinguish between compliance and performance audits so that auditors know what to do - provide appropriate guidance.	3-Nov-2010	Recommended	31-Mar-2011*		Recipient	MIFAN	This mitigation measure shall be part of the OM
3. Ensure project is subject to internal and external audits	13-Dec-2010	Recommended	31-Mar-2011*		Bank	Bank	The Nicaragua assigned PS and FM shall review and approve the TORs
4. Investigate reasons for audit delays. Agree on actions to address problem. If not possible, then exercise remedies provided in the credit agreement. Discuss and agree on causes, solutions and timetable to address frequent observations or reservations by auditor.	13-Dec-2010	Recommended	31-Mar-2011		Bank	Bank	Joint investigation (PS/FM) shall be done by the fiduciary staff in Nicaragua.
5. Agree on appropriate publication (i.e. on a website or press bulletins) of procurement decisions and other relevant information as minimum	13-Dec-2010	Recommended	31-Mar-2011*		Recipient	MIFAN	N/A

*Or within 3 months of effectiveness.

Safeguard and Social Assessments

46. *Involuntary Resettlement.* The project will not include or finance activities that will result in adverse impact on land, properties or people's economic activities. Because the project does not involve any construction, land acquisition will not be necessary and subsequently, OP/BP 4.12 (Involuntary Resettlement) is not triggered.

47. *Social.* Given the presence of Indigenous peoples in the Project area, the Project triggers the OP/BP4.10. To this effect, the GoN prepared an Indigenous Peoples' Plan (IPP), dated November 14, 2010, to seek broad community support for the Project and to ensure that services respect the dignity, human rights, and culture of Indigenous Peoples and Ethnic Communities. The IPP includes a social assessment, based on free, prior and informed consultations in the municipalities targeted under the Project. The IPP was disclosed in country on the Ministry of Family's website, as well as in the Bank's Infoshop, on December 3, 2010. The proposed Project will not trigger land acquisition and/or resettlement safeguard policies.

Background

48. The National Human Development Plan (2009-2011) highlights the adverse situation of the indigenous population and the urgency of guaranteeing their rights. Since the indigenous population suffers from poverty and social exclusion, the Government of Nicaragua is undertaking actions to address those conditions, while respecting their cultural development. The mandate of the MIFAN explicitly covers indigenous communities, given their structural and long-stand social exclusion. The IPP includes a detailed description of the legal framework for indigenous populations in Nicaragua

Ethnic Profile of Nicaragua

49. According to the 2005 census, there are at least ten ethnic groups that account for approximately 14 percent of the 5.14 million inhabitants of Nicaragua. Although indigenous peoples and ethnic communities are dispersed throughout the country, there are distinct indigenous peoples, ethnic communities, and territories. These are situated on the Atlantic Coast where the Miskito, Mayagna, Garifuna, Creole (Afro-descendants who call themselves "ethnic" and not "indigenous"), and the Rama people live in approximately 300 communities. They also live in roughly 15 other communities in Jinotega and Matagalpa Departments. On the Pacific Coast, the largest indigenous peoples' group is the Sutiaba, who live in the Departments of Leon and Chinandega. Other groups located on the Pacific Coast in the departments of Madriz, Nueva Segovia, and Chinandega include the Nahua, Nicarao, and Chorotega.

50. Indigenous peoples and ethnic communities in Nicaragua maintain a common socio-cultural history, including common ancestors who shares beliefs, traditions, and cultural values. Each person recognizes and acknowledges his or her belonging to indigenous peoples or ethnic communities. The following indigenous peoples and ethnic communities are identified in Nicaragua: Rama (4,185 habitants), Mayangna-Sumu (9,756 habitants), Miskitu (120,817 habitants), Ulwa (698 habitants), Xiu-Sutiava (19,949 habitants), Nahoa-Nicarao (11,113 habitants), Chorotega-Nahua-Mange (46,002 habitants), and Cacaopera-Matagalpa (15,240 habitants). The following ethnic communities are also identified: Mestizo from the Caribbean Coast (112,253 habitants), Garífuna (3,271 habitants), and the Creole (Kriol) (19,890 habitants).

51. The departments whose indigenous populations account for more than 10% of the population are Jinotega, Madriz (departments that are covered by the proposed Project) and the Autonomous regions of the North (RAAN) and South Atlantic (RAAS). The department of Matagalpa (also covered by the proposed Project) also includes an important share of indigenous population. In all, the six departments to be covered by the Project account for nearly 30% of the indigenous or ethnic population in Nicaragua. Among the 26 municipalities targeted under the Project, 7 of them have a high concentration of indigenous peoples and ethnic communities. The IPP includes des details on the specific communities.

52. **Indigenous Peoples Plan.** In order to ensure that the proposed Project is culturally appropriate for indigenous and ethnic communities in the selected areas, an IPP has been prepared, fulfilling the requirements of Operational Policy 4.10 on Indigenous Populations. The document describes the actions to be taken so that the views and recommendations of the indigenous communities are included in the Project, thereby promoting improvements in living conditions, particularly among poor families. The IPP is the result of free and informed consultations with a representative group of indigenous and ethnic communities of the Pacific and Central-north regions of the country. In the case that the model was to be extended by MIFAN in the future to RAAS or RAAN, it will be necessary to carry out a separate consultation process, in order to adjust the model to be appropriate for these communities. Social Assessments were conducted between October 25 and November 3, 2010. Of the 26 municipalities targeted under the Project, 7 of them have a high concentration of indigenous peoples and ethnic communities.

53. **Objectives of the Plan.** The Plan has the following objectives:

- Promote the participation, under equal conditions, of the indigenous populations that are living in the areas of direct influence of the Project.
- Consider their socio-economic and cultural characteristics en the selection of beneficiaries and in the processes of monitoring and evaluation.
- Contribute, consistent with the scope of the Project, and through the definition of specific mechanisms by the indigenous population, to actions within the Project to reduce their social exclusion.
- Promote to the greatest extent possible the potential of the Project to make visible and improve the living conditions of the indigenous populations.

Considerations on the Proposed Project

54. **The main findings presented in the IPP are organized below** according to the main activities to be supported, particularly those related to the implementation of the new model of attention. Additional details are found in the main document.

55. *Community-based Educational Workshops*. The instructional materials used should recognize and reinforce family and indigenous community values, for example the wisdom and role of the elderly. It will be important to include themes related to drugs and alcohol. Materials should use simple language, and pictures and figures that the communities can identify with. There was a particular interest in themes relating to training and employment opportunities, including for particular groups – single mothers, the handicapped, among others. The selection

of themes should take into account the structure of local production and existing community plans.

56. *Family Counseling.* The main recommendations included that it will be important to make use of the information on families available in the communities and to coordinate with the leadership and community participation structures. Although it was not viewed as necessary to translate educational materials into indigenous languages for the communities targeted under the proposed Project, graphics and pictures should be tailored to these populations. In the case of other indigenous communities in the country, it will be important to translate materials into the indigenous languages.

57. *Social Service Articulation.* Efforts should be made to encourage the social services which serve the indigenous population to take into account their particular characteristics. Many communities thought that the existing service network was not sufficient for the current demand. Thus, it will be important to encourage alliances with other public agencies. There was an opportunity to incorporate indigenous themes into formal education and to encourage the Ministry of Health to take into account traditional indigenous medicinal practices.

58. *Family Grants.* This was a delicate issue. Traditional indigenous leadership structures need to be including in order to ensure the effective selection and supervision of families. The preference was for monthly family grants. There will be a need for mechanisms of control and security, as well as education and support for the families, in order to avoid perverse incentives and behavior. A concern was expressed about the possible use of the cash for goods such as alcohol, for example, or that families might send their children to school only when it was time for payment. The participants doubted that electronic transfer or receipt through banks will be possible because of lack of knowledge, lack of identity cards, and distance. They prefer to be paid by Project staff. That option will also help to ensure adequate control and monitoring of the use of money. Communities thought that giving the Money to the mother is crucial, although it should not be interpreted to mean that the mother has all of the responsibility.

59. *MIFAN Capacity-Building*. The main findings and recommendations were the following:

- Validate the application of the model in indigenous communities, and based on the results, make any necessary modifications.
- All of the agencies articulating services under the Project need to recognize the particular characteristics of the indigenous communities.
- It was recommendation that Project staff experienced with indigenous communities work with that population. Any indigenous staff already working MIFAN should be identified in order to take advantage of their background. If new people are to be hired, they should include indigenous.
- There should be a training module on social welfare in indigenous communities and on how to work in these communities and use any specially designed materials. Training on indigenous issues was needed for the staff of MIFAN.

60. *Registry of Beneficiaries*: The registry should include information which indentifies whether the family is indigenous or not. Relating to identification documents, although families recognized that it might be necessary in the short run to depend on a Project ID, it was clearly an inferior option to the national identification document and parallel efforts needed to be taken to ensure that each family was able to obtain a national identity document.

61. *School Feeding Component.* The main recommendations were to consider the use of traditional foods and recipes with high nutritional values and to improve the mechanisms of control and storage in order to avoid losses.

62. *Mechanisms of Consultant and the Action Plan.* In addition to the participation of indigenous communities in the mechanisms for resolution of grievances which will be established by the MIFAN, it was recommended that the existing indigenous structures should participate in the social audit. There is positive experience among these communities with these instruments. Some of the findings from the consultations were already reflected in the design and implementation for the proposed Project. In order to carry out those which had not been envisaged, the main text of the PAD summarizes the plan of activities which will be supported by the proposed Project. The IPP includes an estimate of the costs for carrying out these activities, as well as the indicators to be used to monitor implementation progress.

Monitoring & Evaluation

63. **For the monitoring and evaluation (M&E) of project outcomes and results of Components 1 and 2, the Bank will support the MIFAN in the design, development and implementation of a management information system (MIS).** The MIS will gather information for the day-to-day administration, implementation and operational management of the model of attention nationwide and all of MIFAN's other programs and projects. The System will collect information, generate reports regarding the implementation of the model, provide inputs on how to improve and adjust the operational elements of the model and other programs, and serve as a tool to verify that the model and other programs are being implemented following the defined required procedures.

64. **The MIS will be made up of a number of modules including a single registry of beneficiaries, processes related to the model, and processes in the administration and management of the family grants, among others**. Supported under the Project, the MIFAN will consolidate the various information databases that currently exist on the Ministry's various interventions and social assistance programs into a single registry of beneficiaries. This registry will serve as a means for monitoring and managing the implementation of the different elements of the family and community-based social welfare model including the number of visits the family receives from the technical social workers, attendance and participation in the community-based workshops, and families and communities' knowledge of existing services. During Project implementation, the Project will count on mechanisms to update the database when appropriate. Consistency checks and quality controls will be put in place to ensure the quality of information in the registry.

65. **The MIS will serve as a tool for managing the processes related to the family grants supported under the Project.** This includes registration of those families receiving the family grants and the verification that families complied with the defined co-responsibilities. Moreover, the System will track complaints and appeals in order to manage the quality of the services provided under the new model and gather data from the departmental and municipal structures and the payment agencies for the monitoring of the family grants. Finally, the MIS will be closely linked to the payment information system, which will provide a mechanism to control payments to beneficiaries, track the transfer component financially, reconcile payments with the payment agency, and monitor the return of non-disbursed funds. This information will be compared with the bi-annual Interim Financial Reports (IFRs).

66. **Other sources and instruments will complement data generated from the MIS, including:** (i) social audits; (ii) beneficiary satisfaction surveys and (iii) a Project impact evaluation. The Project will finance some of the various studies and evaluations.

67. **Social Audit:** Given the new definition of the family and community-based social welfare model, the transfer supported under the Project, and the existence of co-responsibilities to receive the transfer, it is important to ensure accountability at the community level. The social welfare model will include a social audit to ensure that the model's operating rules are applied consistently and transparently and that beneficiaries, community organizations and non-beneficiaries understand then. The audit will allow verification that the Project resources are used according to the model's guidelines. Within this framework, local community committees or organizations will be responsible for implementing the social audit. These committees/organizations will be comprised of community leaders, members from community committees (health, education, water, etc.), among others. These committees will be included in every municipality to provide oversight over MIFAN's implementation of the new model.

68. **Beneficiary Satisfaction Survey:** Beneficiary satisfaction surveys, a key accountability mechanism of the model, will assess the model's performance and implementation based on beneficiaries' experiences. Such surveys will be an important source of information about quality of the family counseling and workshops, beneficiary constraints in accessing information about services or if eligible, receiving grants in a timely manner, among others. The survey can also collect information about intermediate outcomes, such as actions beneficiaries have taken as a result of the application of the model. At the same time, it will provide helpful information about the quality of the existing services at the local level.

69. **Project Impact Evaluation:** The impact evaluation, to be conducted under Subcomponent 2.3, will provide further data on Project outcomes. Specifically, it will analyze which intervention is more effective: the family counseling and the family grants or only the family counseling. Furthermore, it will also take a closer look at the impact of the community-based workshops and the dissemination of information. The impact evaluation will count on a randomized evaluation design and it will base it on the Project's design. A clearer definition of the impact evaluation will be delineated prior to the Project's appraisal.

70. The impact evaluation, supported under subcomponent 2.3, will assess the specific impacts of the interventions under Component 1. The impact evaluation will assess whether the community-based educational workshops, family counseling and/or grants were effective in improving the welfare and enhancing human capital accumulation of targeted beneficiaries. In particular, it will answer the policy question: which program modality is more effective in improving welfare and enhancing human capital: (i) a modality with community-based educational workshops and family counseling or (ii) a modality that includes community-based educational workshops, family counseling and family grants?

71. The impact evaluation may also analyze a second set of questions in relation to the relative effectiveness of other program design features. Potential questions currently being considered include the following: (i) what is the optimal share of households that should be targeted in a given community (to maximize the documented multiplier effect of social dynamics); (ii) what are the most effective mechanisms used to monitor household visits by the professional social worker; and (iii) what is the relative effectiveness of the 3 specific program interventions: community-based educational workshops, family counseling, family grants.

72. Building on the suggested program targeting mechanisms, the impact evaluation will rely on randomized assignment of the program (and its modalities) at the level of the localities. First, a list of eligible communities will be established in each eligible municipality. Second, the number of communities (or beneficiaries) for which the program can intervene will be established for each municipality. Since the number of eligible communities (or beneficiaries) is likely to be higher than the number of communities that can be incorporated in the program (in particular for the modality under which households also receive cash incentives), randomized assignment will be used to determine which of the equally eligible communities will participate in the intervention (in particular, which will receive cash incentives).

73. In presence of oversubscription, randomized assignment gives the same chance to equally eligible communities to participate in the program. Randomized assignment has been used in the context of many social programs in Nicaragua and has been perceived as a fully transparent and fair mechanism. Randomized assignment will be used to generate at least two groups of communities: (1) treatment communities that receive the basic modality (community promotion, family counseling and psychological support) and (2) treatment communities that receive the basic modality plus cash incentives. A baseline survey will be collected before the randomized assignment is realized, and a follow-up survey will be collected approximately a year after the delivery of the first benefits. The methodology will be formalized in a detailed evaluation design and implementation plan to be finalized in close coordination with local program staff. This will ensure that the evaluation will provide all relevant information for policy-makers and program managers to make decisions regarding future program operations.

74. **Project outcomes and results under Component 3 will be monitored using the Information Systems of the Ministry of Education and the Integral Food Nutrition Program.** Data on attendance and retention will be drawn from the overall information system of the Ministry of Education, while data on the number of children covered by the Program will come from the Program's own information system. These systems have been functioning for years and proved effective under the Emergency Food Response Project (Report No. 45672-NI, 2009). The PINE has also shown to be consistent in system supervision and spot checks, which it will continue to support under the proposed Project.

Role of Partners

75. **The proposed Project foresees no formal co-financing agreements with other donors or organizations at this time; however, it will work closely with the IDB and other donors to support the MIFAN on implementing one model.** The Bank and other donors supporting interventions within the sector have agreed to work together to support the MIFAN with a single family and community-based social welfare model. This will strengthen the Ministry's goal of having a single, comprehensive strategy. During Project implementation, the Bank will work closely with other donors to start up the donor round-table again.

Annex 4
Operational Risk Assessment Framework (ORAF)
Nicaragua Social Protection Project

Project Development Objective(s)

The proposed Project will support the implementation of the family and community-based social welfare Model and school feeding. The Project Development Objectives are to: (i) improve the basic conditions of welfare and social well-being of extremely poor beneficiary families with children in selected poor localities; (ii) strengthen the capacity of the Ministry of the Family to implement the family and community-based social welfare Model; and (iii) promote preschool and primary school attendance through the provision of school lunches.

PDO Level Results Indicators:	1. Percentage of families whose children had not been attending school and who now have children attending school in selected localities
	2. Percentage of children in primary school who are promoted to the next school year
	3. Percentage of families who are using local services and programs
	4. Public primary retention rate in targeted areas
	5. Percentage of families that are enrolled in MIFAN's programs registered in the Management Information System of the MIFAN
	6. Percentage of Municipalities where MIFAN is implementing the new model

Risk Category	Risk Rating	Risk Description	Proposed Mitigation Measures
Project Stakeholder Risks	Medium-L	There is risk that extremely poor families living outside these targeted areas learn of the intervention and demand for the intervention in their community. Without additional funds from the Government, it may be difficult to meet this demand. There is a risk that the model will face resistance at the community level due to lack of knowledge about the intervention.	Technical social workers and social promoters will implement a concise and simple communications plan in each locality, supporting the model.

Implementing Agency Risks	Medium-I	The risk is that the fiduciary capacity, (financial and procurement) of MIFAN is not adequate for the management of the family grants and the purchase of the supplies for school feeding. The risk is that social workers do not show up or conduct the visit, which will interrupt completion personalized family support and the implementation of the Family Improvement Plan. Audits have shown that the Government has the capacity to implement such programs in a transparent way. There is a minor risk that the list of beneficiaries of the transfers is tampered with and therefore beneficiaries are either over- or under- counted for.	The Project will support the contracting of highly-qualified financial and procurement staff. Local Bank staff will work with the financial and procurement staff of the ministry at the beginning of the Project to ensure they were trained on the processes and procedures of the Bank and to ensure that the record-keeping system will fulfill the audit requirements. The CMU will stress with the Ministry of Finance and the MIFAN the importance of maintaining key staff in order to continue to implement the Project. Component 2 of the proposed Project supports intensive supervision and monitoring including spot checks and social audits. Additionally, the Project will support a formal mechanism, which will require the family together with the social worker to jointly sign an attendance sheet every time the social worker visited them, to hold them accountable for their visits and the implementation of the Family Improvement Plan. Frequent supervision to the field will be made during implementation to cross check the payment list with those receiving the grants. A mechanism will be developed to verify that families have complied with the co-responsibilities and received their payments.

Project Risks			
• Design	Medium-I	The risk is that personalized family counseling does not address the needs of the family or that the Family Improvement Plan is irrelevant. The risk is that the data used to target the localities and beneficiary families is of low quality. The risk that the new food modality is not accepted among primary school children in the targeted municipalities.	Mechanisms will be developed to supervise the quality of the professional social workers and their personalized work with families based on the definition of the new model. The localities will initially be targeted and selected using data from the 2005 Census. Additional data from the 2009/2010 Ministry of Health Census will be used to verify families and assign them to the different interventions. The Government will conduct a nationwide communications campaign on the new food modality, informing communities of the change (funded by a JSDF grant). A descriptive nutritional study, funded by Component 3 of this Project, will also look at the impact in the change of food modality.
• Social and Environmental	Medium-L	The risk that the indigenous peoples and ethnic communities complain about being excluded from the Project, both the model and the school feeding program.	During the lifespan of the Project, the model of attention will be culturally adapted for those indigenous communities in the Atlantic Coast, which are currently not targeted under the Project. The Project will finance an impact evaluation to determine if it is feasible to extend the model with the family grant component. The Project will finance a study on the cultural adaptation of the program for indigenous communities and ethnic territories.
• Program and Donor	Medium-I	The risk is that other donor financed projects will not align their funding and interventions with the model under the MIFAN's model.	The team and the Government will work closely with the IDB and other donors to ensure that projects and activities in the social sectors are part of the social welfare system and are linked to the

			model being implemented at the local level. The Government will also re-activate the social protection donor round-table to promote the alignment and harmonization of funds and projects with the model.
• Delivery Quality	Medium-L	There is a low risk that the model will not continue to be implemented at the conclusion of the Project. The risk that the school feeding program does not have sufficient funding to be sustained.	The GoN is currently having technical discussions with the WFP to ensure funding for beyond 2012. Furthermore, the GoN has dedicated more domestic funding to this program to ensure it is funded through 2012.

Overall Risk Rating at Preparation	**Overall Risk Rating During Implementation**	**Comments**
Medium-I	Medium-I	

Annex 5: Implementation Support Plan
Nicaragua Social Protection Project

Strategy and Approach for Implementation Support

1. The Strategy for Implementation Support was developed based on the nature of the proposed Project and its risk profile. This Strategy aims to make implementation for the Government of Nicaragua more flexible and more efficient so that the Project Development Objective is achieved. Furthermore, it focuses on implementing the risk mitigation measures defined in the Operational Risk Assessment Framework. The following areas and actions have been defined as part of the strategy:

- **Financial Management:** During supervision, the Bank's financial management specialists will continuously review the MIFAN's financial management capacity, including but not limited to accounting, reporting, and internal controls to ensure that it is satisfactory to the Bank. The Bank will also hire technical staff to support the MIFAN's existing fiduciary capacity. Because more than half of the Credit is going toward family grants, financial management staff will work closely with MIFAN to develop an appropriate mechanism to manage the payments and accurately report the distribution of grants, including ensuring that only eligible families are paid (those complying with the co-responsibilities), the verification of receipt of payment and the reconciliation of payments.

- **Role of Partners:** The Bank team will continue to work closely with other donors in the sector to ensure that MIFAN supported projects and activities are linked to the social welfare model. Furthermore, the Government agreed to re-activate the social protection donor round-table to promote the alignment and harmonization of funds and projects with the model. The use of a single model will reduce sector-wide fragmentation and encourage collaboration. The Bank will meet with the donor-round table at least once a year during Project implementation to make certain that there is collaboration among the different donor-supported projects.

- **Sustainability of new model**: One of the innovative characteristics of the model is the involvement of the community in its implementation and monitoring. Nicaragua has a long history of community organization and participation. The community will be key for promoting the use of services, the adaptation of the model and the long-term sustainability of the model's interventions. The Bank will work with MIFAN to ensure that the training modules include mechanisms and tools for engaging community members and organizations in the implementation of the model. The community's involvement in the operation of the model gives them a sense of ownership and decision-making power. If the results and outcomes are positive, the community's participation will garner long-term support for the new model, contributing to its sustainability.

Implementation Support Plan

2. For the execution of the Implementation Support Plan, many of the key Bank team members will be in Nicaragua's country office to ensure timely, efficient, and effective implementation support for the GoN. Task team leadership and key social and environmental specialists will also conduct semiannual formal supervision missions and field visits to follow up on the Project implementation. Detailed inputs from the Bank team are outlined below.

- **Technical Inputs:**

    a. *Development and Definition of the model:* During the first 12 months, local Bank staff and technical specialists from the task team will work closely with the MIFAN in the further development and design of the new family and community-based social welfare model. The Bank will support the MIFAN in the definition of the different elements of the model (workshops, family counseling and among others), provide input on the materials for the training modules, and offer guidance, in the process strengthening MIFAN's capacity at the central level. In addition, the Bank will also collaborate with other donors in the sector to ensure that all Projects are supporting the specifics outlined under the new social welfare model. Between months 12 and 48, local Bank staff and the task team will formally supervise the completion of these activities. Furthermore, they will complete field visits at least once a year to evaluate the quality of the implementation of the model.

    b. *Implementation of Family Grants:* During the first 12 months of the Project, the financial management specialist and members from the Bank team will work closely with the Government to ensure that the fiduciary staff has adequate capacity to manage the cash transfer subcomponent. Additional activities supported under the first year of the Project include the identification and contracting of a payment entity for the payment of the grants, the development of a mechanism to link compliance with co-responsibilities to the payment, and the design of a mechanism to verify receipt of the payment by the correct beneficiary, and the subsequent reconciliation of payments. Moreover, many of the processes for the cash transfer will be defined during the first year. These include: registration of beneficiaries, payment of grants, verification of co-responsibilities, and exit from the transfer scheme. Local Bank staff and the task team will formally provide intensive technical assistance during the first 12 months to make sure that the processes are defined well and the activities are carried out in a manner acceptable to the Bank. Between months 12 and 48 of implementation, the Project task team anticipates monitoring and evaluating the implementation of these activities and processes through bi-annual supervision visits and occasional spot checks.

- **Fiduciary Requirements and Inputs:** During preparation, the Bank team identified capacity-building needs so as to strengthen financial management capacity and improve procurement management and efficiency. Both the financial management and procurement specialists are based in the country office to provide timely support. Formal

supervision of financial management reports will be carried out semiannually, while procurement supervision will be carried out on a timely basis as required.

- **Safeguards:** Semiannual inputs from the social specialist will be required throughout the Project's lifetime. One of the activities supported under the Project is ensuring that the model is appropriately tailored to Indigenous Peoples and Ethnic Communities. Semiannual formal supervision missions and field visits will ensure that this activity is implemented in accordance with Bank safeguard policies

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Annex 6: Team Composition
Nicaragua Social Protection Project

World Bank staff and consultants who worked on the project:

Name	Title	*Unit*
Theresa Jones	Co-Task Team Leader	LCSHS
Miriam Montenegro	Co-Task Team Leader	LCSHS
Nurys Matos-Smith	Program Assistant	LCSHS
Mayela Murillo	Program Assistant	LCCNI
Veronica Silva	Senior Social Protection Specialist	LCSHS
Sarah Berger	Social Protection Specialist	LCSHS
Coleen Littlejohn	Senior Operations Officer	LCCNI
Pablo Ariel Acosta	Economist	LCSHS
Camilo Bohorquez Penuela	Junior Professional Associate	LCSHS
Anemarie Proite	Procurement Specialist	LCSPT
Enrique Roman	Financial Mgt. Analyst	LCSFM
Mariangeles Sabella	Senior Counsel	LEGLA
Jorge Luis Alva Luperdi	Counsel	LEGLA
Kristine Ivarsdotter	Sr. Social Development Specialist	LCSSO
Patricia de La Fuente Hoyes	Sr. Finance Officer	CTRFC

Annex 7: Economic and Financial Analysis
Nicaragua Social Protection Project

1. **This Annex presents the Nicaragua Social Protection Project's economic and financial analysis.** It is organized in three sections. The first section presents an analysis of the estimated impact of the Component 1 on human capital accumulation and poverty reduction in the municipalities of intervention. In the second section the potential effect of the family counseling and community-based education workshops is discussed. Finally, a cost-benefit analysis shows the feasibility of the Project.

2. **Within Component 1, the Project will finance family grants (transfers) to families in the selected municipalities with children less than 13 years of age, in return for their participation in community workshops.** The Project will operate in 26 municipalities corresponding to six departments (Jinotega, Matagalpa, Leon, Esteli, Chinandega, and Madriz). These municipalities were selected according to the proportion of households in extreme poverty, the number of primary school-aged children that do not attend school and/or work, and the availability of professional social workers and promoters already working for MIFAN. Around 20,000 families in these municipalities with children under 13 years of age will be selected for the cash transfer (Subcomponent 1.3), in exchange for their participation in education community workshops (Subcomponent 1.2). Families in extreme poverty and with one or more children in primary school age (7-12 years old) working and/or not going to school will also have to comply with certification of personalized counseling by social workers (Subcomponent 1.1) to be eligible to receive the cash transfer. The transfer will be equivalent to US$20 a month per family (US$ 240 per year), over a two-year period, which represents 10 percent of the average income of families in targeted municipalities.

3. **Two outcomes are expected from this intervention: an income effect for families receiving family grants (transfers) (direct impact), and increase in the educational level of the primary school-aged children from families receiving grants and participating in the counseling and workshop activities (indirect impacts).** While the impact of family grants on income and human capital accumulation can be estimated, there are several limitations to measure the potential economic impact of the participation in family counseling and community-based education workshops. However, experiences with similar interventions in other countries are reviewed to suggest a potential impact of these activities. Component 2, that aims to strengthen MIFAN's capacity, is not analyzed since it will difficult to predict its economic impact. Moreover, indirect effects for non-participant families in these communities that could also benefit from higher economic activity and positive externalities from higher educational levels are not considered in the analysis. Therefore, the estimated economic benefits of the project should be taken as a lower bound of the overall project impact.

Short-Term Impacts

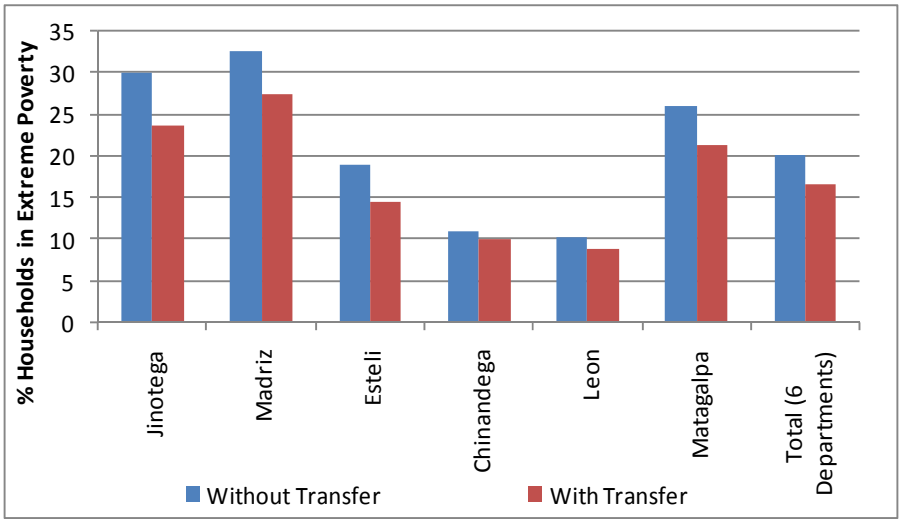
Income effect

4. **Subcomponent 1.3 of the Nicaragua Social Protection Project provides family grants to selected participant families, with the objective of improving their basic conditions of welfare and social well-being.** This objective will be reached in the short term through the cash transfer subcomponent, since additional income flows will help reduce extreme poverty incidence of some of the participant families in the municipalities of intervention. Long-term effects will also be expected through the additional educational level that could be acquired by children that will stay or resume schooling, since their permanent income levels will increase as a result of higher educational levels.

5. **This section presents the analysis of the potential short-term impact of the Program on poverty outcomes.** These short-term effects are modeled on the basis of the latest available household survey *Encuesta Nacional de Hogares sobre Medición de Nivel de Vida* for 2005, collected by the National Institute of Statistics and Census (INEC). The estimation uses survey's data for the 26 municipalities of intervention, to select the eligible participants. The income effects are modeled by simulating the poverty rate in the 6 departments of intervention before and after eligible beneficiaries receive the benefit. This analysis has obvious limitations, since assumes that household labor supply (and hence, labor income) will not change as a response to the transfer. However, the analysis is useful since it highlights the potential poverty reduction effects that such a program will generate if it is later on extended to all families in these municipalities.

6. **According to our calculations, extreme poverty headcount in the 6 departments of intervention could fall by 0.9 percentage points due to the income transfer to 20,000 families during the lifetime of the Project, and by 3.5 percentage points if all eligible families in the 26 municipalities receive the transfer.** Assuming that the poorest 20,000 families with children between 0 and 13 years old living in one of the 26 targeted municipalities receive the transfer, our estimates show that the extreme poverty headcount in the 6 departments of intervention would fall by 0.9 percentage points, from 20.1 to 19.2 percent. But the program could achieve even greater poverty reduction, up to 3.5 percentage points in these 6 departments, if it were extended to cover all families with 0-13 year old children in these 26 municipalities (estimated at 100,000 families) (Figure A). The greatest poverty reduction effects would be reached in Esteli, Jinotega, Madriz, and Matagalpa, where the proportion of families in extreme poverty will fall by a range of 4.4 and 6.2 percent.

Figure A.7.1: Extreme Poverty Reduction Effect of the Income Transfer if Extended to All Eligible Families in the 26 Targeted Municipalities, 2005



Source: Own estimations using *Encuesta Nacional de Hogares sobre Medicion de Nivel de Vida 2005*.

Human Capital Effects

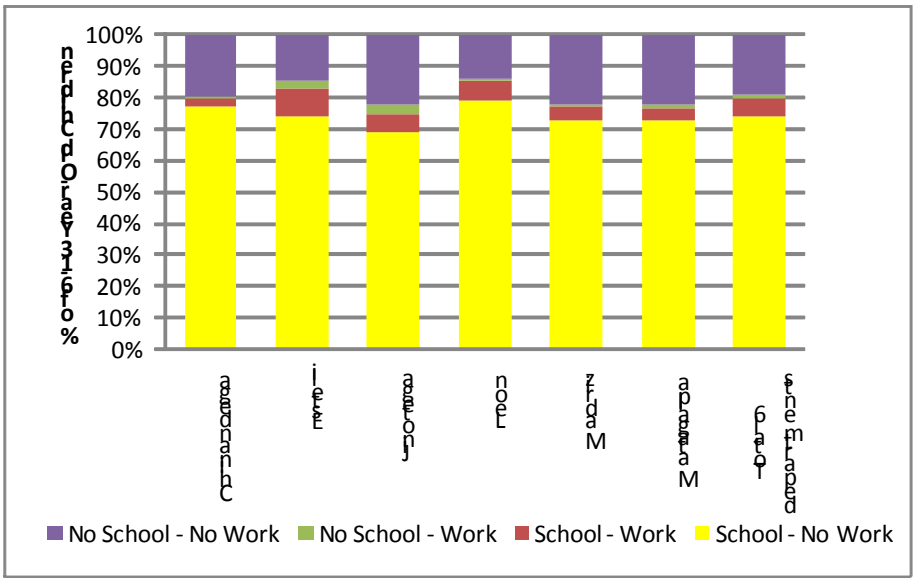
7. **Another main goal of the Project is to increase children's education of beneficiary families.** Families with at least one or more children working and/or not going to primary school will be targeted by the three main interventions financed by the Project: family grants community workshops, and personalized family support. Among the intended results of the Project are to maintain school enrollment rates, and reduce the number of children that work or do not attend primary school, which will be stated goals of the community workshops and the personal counseling components (which are also pre-conditions to receive family grants). However, simulating the impact of all these interventions in school enrollment rates is not easy. Using the *Encuesta Nacional de Hogares sobre Medición de Nivel de Vida*, at least the impact of family grants (transfers) on schooling and working decisions could be predicted. Other intended results of the project, such as increase in the number of families with knowledge of information presented in the community workshops, in the use of local services and programs, and in the enrollment in the National Registry of Beneficiaries are also left out of the analysis due to methodological restrictions.

8. **For families whose children are attending primary school (and not working), and are receiving the family grants, the predicted impact on overall primary school enrollment and child labor disincentive is positive and in the order of 6 percentage points.** The simulation consists basically in measuring the school attendance behavior of 6-13 year-old children from beneficiary families in the 6 departments of intervention under two scenarios, one in which the family receives US$20 a month and one in which the family does not receive the transfer, keeping constant other observable characteristics of the families.[17] Ideally, this exercise

[17] Aside from household income, other family characteristics included in the regression of the schooling and working behavior of children are the gender and birth order of the child, the number of children and adults in the household, the age, gender and marital status of the household head, and the department of residence of the household.

should be done exclusively on the 26 municipalities of intervention, but this is not possible since the household survey is not representative at the municipal level. Therefore, to proxy the living conditions of targeted families, the analysis is done exclusively among children from extreme poor families. Figure 2 shows that on average 80 percent of the 6-13 year-old children in extreme poor households attend primary school in these 6 departments, ranging from 85 percent in Leon department to 75 percent in Jinotega. Out of the 80 percent that attend school, 5 percent of them also work. Of the other 20 percent, barely 1.5 percent work, and 18.5 percent neither study nor work. The simulated impact of raising household incomes by US$20 a month, as shown in Figure 3, suggests an increase in overall primary school enrollment rates by 2 percentage points, from 80 to 82 percent. Also interesting, when looking at the joint schooling and working behavior of children, the impact of the transfer on attending school exclusively and not working seems to be higher, of 6 percentage points, from 75 percent to 81 percent. This suggests that grants (transfers) operate more through work disincentives, substituting child labor for the additional income transfer.

Figure A.7.2: School and Work Activities of Children Aged 6-13 Years Old, 2005



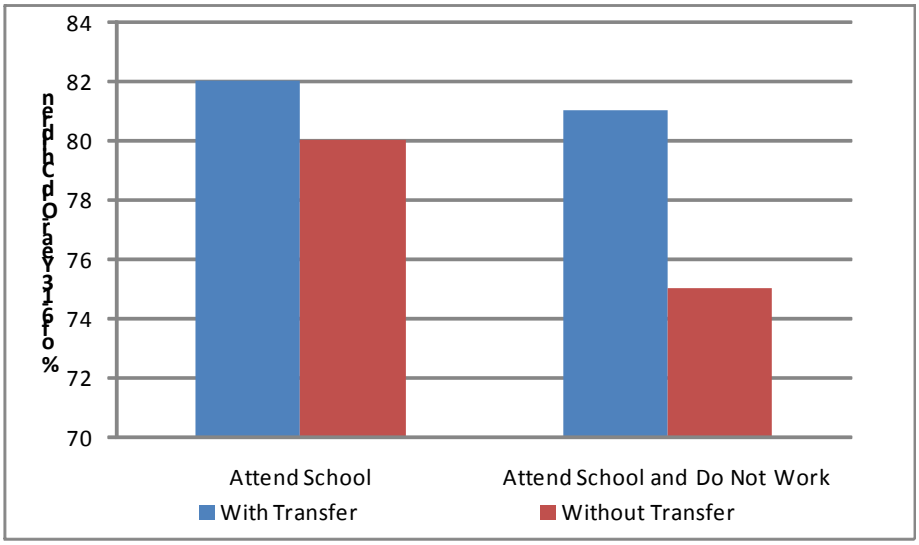
Source: Own estimations using Encuesta Nacional de Hogares sobre Medicion de Nivel de Vida 2005.

9. **These results are in line with other (conditional) cash transfer experiences in the region, where their impact on primary school attendance rate oscillates between 0.5 and 13 percent.** For instance, in Mexico, *Oportunidades* has been estimated to increase school attendance by 1.9 percent for 0-5 grades, and by 8.7 percent for 6th grade. In Colombia, *Familias en Acción* seems to increase primary enrollment rates by 2.1 percent, in Honduras, *Programa de Asignación Familiar* did the same by 3.3 percent, in Chile, *Chile Solidario* did it by 7.5 percent, and in Ecuador *Bono de Desarrollo Humano* by 10.3 percent.[18] All these CCT programs include high monitoring of co-responsibilities of beneficiaries that need to demonstrate compliance with children school attendance or face penalties such as benefit reduction or cancelation of program participation. The main antecedent for Nicaragua is the former CCT program *Red de Protección*

[18] See Fiszbein and Schady (2009), "*Conditional Cash Transfers: Reducing Present and Future Poverty*", World Bank. Washington, DC.

Social (RPS), that used to operate in 42 rural municipalities between 2000 and 2003, and which showed strong positive impact of almost 13 percent over school attendance for 7 – 13 years old children. This program is not strictly comparable to the current project since it explicitly conditioned cash transfers to school participation, and the benefits to families where much more generous than the proposed project (RPS transferred US$324 per year to families).

Figure A.7.3: Simulated Impact of a $20 Monthly Income Transfer on Schooling and Working Decisions for Children Aged 6-13 Years Old, 2005



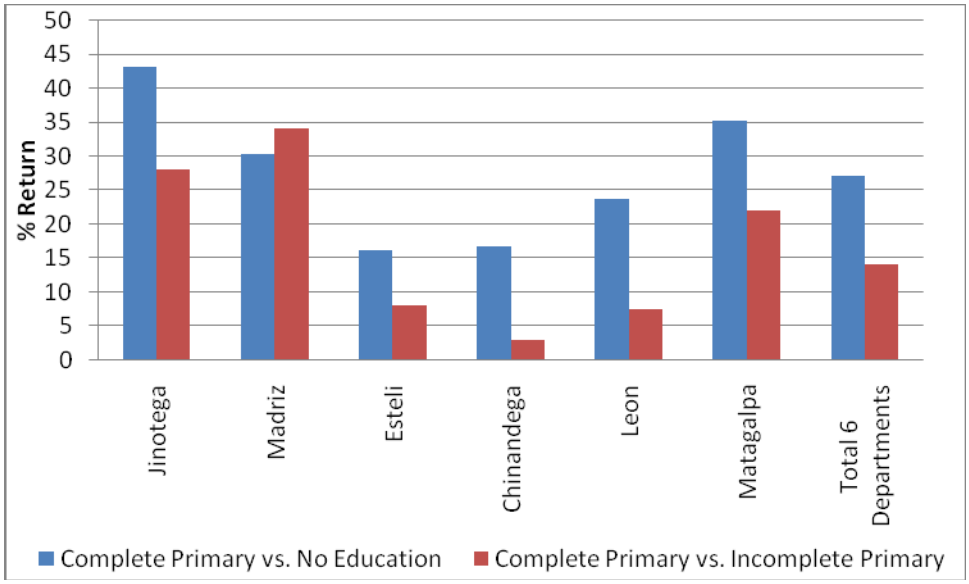
Source: Own estimations using Encuesta Nacional de Hogares sobre Medicion de Nivel de Vida 2005.

Long-Term Impacts

10. **Additional years of education will have long-term impact on participants in terms of future higher earnings, since primary completion increase permanent wages by 14 percent with respect to those with incomplete primary education.** Long-term impact of the Project can be estimated through an analysis of the returns to primary education in the 6 departments of intervention of the Project. Controlling for other observable characteristics of individuals, individuals with complete primary education earn on average salaries that are 14 percent higher than those with incomplete primary education, and 27 percent higher than those with no education.[19] Figure D shows that these primary completion education differential returns oscillate between 34 percent in Madriz to 3.1 percent in Chinandega versus those with incomplete primary education.

[19] This estimation arises from regressing the logarithm of hourly wages for individuals between 25 and 55 years old on gender, age, and maximum educational level of the individual, department of origin, area (urban or rural), and economic sector of activity.

Figure A.7.4: Returns to Education for Adults Aged 25-55 Years-Old, 2005



Source: Own estimations using Encuesta Nacional de Hogares sobre Medicion de Nivel de Vida 2005.

Cost-benefit analysis

11. **Given an overall increase in exclusive (not-working) primary enrollment rates of 2 to 6 percentage points, and a return to complete primary education of 14 percent, it is estimated that the net present value of the private benefits will be around US$ 4.1 million and US$ 12.4 million.** On average, each of the 20,000 beneficiary households of family grants has two children in the 6-13 year-old range. Consequently, near 40,000 children in that age group will be subject to the intervention. A 2 percentage point increase in enrollment (working or not at the same time) or a 6 percentage point increase in exclusive (not working) primary school enrollment means that between 800 and 2,400 children in the 26 municipalities of intervention will stay or resume primary education thanks to the impact of the income transfer. On average, Nicaraguans with incomplete primary education earn US$176 a month, and in a conservative scenario that the transfer will only help children to complete primary education (but not to continue with secondary education), at least a 14 percent return to primary completion will be expected, which will translate into an extra US$25 a month of future earnings. Applying a standard annual discount rate of 5 percent over the active life cycle of individuals (40 years of work), this estimation arises that the expected lifetime benefits per children will amount to around US$5,150. Therefore, the overall private benefits for a range of 800 and 2,400 children resuming schooling can be valued in a range of US$4,120,000 - US$12,360,000.

12. **Even the lower bound estimate of the benefits accrued to participants, plus the value of the grants that will reduce poverty, are 30 percent above the cost of the Subcomponent 1.3.** Considering just a 2 percentage point impact on primary school enrollment thanks to the income transfer component, and ignoring all other short-term (on schooling) and long-term (on future earnings) benefits arising from the family counseling and community education workshops, as well as other positive social externalities from increasing education in the communities, the present value of benefits will be at least US$4.1 million. Adding to this the redistributive transfer of resources of US$9.6 million to beneficiary families, the overall

estimated social benefits for the communities of intervention is US$13.7 million, which is 30 percent larger than the overall cost of subcomponent 1.3, of US$10.5 million.

NICARAGUA
HONDURAS
EL SALVADOR
COSTA RICA
PACIFIC OCEAN
Caribbean Sea
Gulf of Fonseca
Lake Nicaragua
I. de Ometepe
Lake Managua
Cordillera Isabella
Cordillera Chontalenna
Mosquito Coast
Cayos Miskitos
Cabo Gracias a Dios
Wani Lagoon
Pahara Lagoon
Karata Lagoon
Wounta Lagoon
Perlas Lagoon
Bluefields Bay
Punta Gorda Bay
Puerto Cabezas
Bluefields
Laguna de Perlas
Kukalaya
Prinzapolka
Rio Blanco
Nueva Guinea
Punta Gorda
San Juan del Norte
San Carlos
El Castillo de La Concepción
San Miguelito
Peñas Blancas
San Juan del Sur
Rivas
Jinotepe
Masachapa
Masaya
Granada
Managua
Puerto Sandino
Corinto
Chinandegа
Léon
Potosi
Punta Cosigüina
Somotillo
Estelí
Somoto
Ocotal
Mogoton (2,438 m)
Quilalí
Wiwilí
San Sebastián de Yalí
Jinotega
Matagalpa
Sébaco
El Sauce
Muy Muy
Boaco
San Benito
Juigalpa
Lóvago
Bocay
Bonanza
La Rosita
Siuna
Leimus
Waspam
La Cruz de Río Grande
Nuevo Amanecer
Rama
NUEVA SEGOVIA
JINOTEGA
MADRIZ
ESTELÍ
CHINANDEGA
LEÓN
MANAGUA
MATAGALPA
BOACO
CHONTALES
MASAYA
GRANADA
CARAZO
RIVAS
RÍO SAN JUAN
ATLÁNTICO NORTE
ATLÁNTICO SUR
To Tegucigalpa
To San Miguel
To Auasbila
To San José
87°W
86°W
85°W
84°W
83°W
15°N
14°N
13°N
12°N
11°N
0 20 40 60 Kilometers
0 10 20 30 40 50 Miles
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NICARAGUA
SELECTED CITIES AND TOWNS
DEPARTMENT CAPITALS
NATIONAL CAPITAL
RIVERS
MAIN ROADS
RAILROADS
MUNICIPAL BOUNDARIES
DEPARTMENT BOUNDARIES
INTERNATIONAL BOUNDARIES
APRIL 2010
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