

Nicaragua: Programme for the Economic Development of the Dry Region

| Item | Assessment Remarks | Rating |
|-----------------------------------|---|--------|
| Country & Project Name | Nicaragua: Programme for the Economic Development of the Dry Region | |
| Loan No. | 610-NI | |
| Project Id. | 1256 | |
| Board Date | 10 April 2003 | |
| Effectiveness Date | 17 August 2004 | |
| Original Closing Date | 31 December 2010 | |
| Final Closing Date | 30 June 2011 | |
| Total Project Cost US\$(M) | US\$25.0 million | |
| IFAD loan US\$(M) | US\$14.0 million | |
| Cofinanciers (if any) | Central American Bank for Economic Integration (BCIE): US\$4.0 million | |
| Implementing Agency | Rural Development Institute (IDR) | |
| Principal Components | Components for this project are: (a) Promotion of local employment and businesses will strengthen the target group's capacities to identify and promote business and employment opportunities. To achieve these objectives, the programme will: (i) raise local awareness of its activities; (ii) identify local opportunities and stakeholders; (iii) assist beneficiary groups in formulating local business and employment plans; (iv) prepare feasibility studies for the more complex proposals; and (v) improve local capacities to support the implementation of income-generating activities. (b) Rural financial services. (c) Strengthening of rural development policies and institutions and (d) Programme management unit. | |
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| Project Performance | | |
| Relevance | The Programme for the Economic Development of the Dry Region (PRODESEC) was relevant to beneficiaries' and the country's needs, as well as to the strategic priorities of the Governments under which it was run. The project was also consistent with IFAD's strategy in Nicaragua embedded in the Country Strategic Opportunities Programmes (COSOPs of 2002 and 2005) as well as to IFAD's Strategic Framework for 2002-2006. The project's design was the result of a participatory effort with the main stakeholders and it took into account the lessons learned in the previous projects implemented in the country. Project's areas of intervention were chosen according to some appropriate criteria, such as the priorities of Government of Nicaragua (GoN), IFAD's experience, poverty levels and development opportunities. The project adopted a demand-led approach and in order to facilitate participation and transparency, its decisions and resources were decentralized at a local context. The project strategy was also relevant in terms of coherence among its components. From 2007 onwards, with the Reconciliation and National Unity Government (GRUN), PRODESEC was implemented in a new political and institutional context, which overall has been favorable to the project. The project did not experiment major changes in its strategy, however, it was flexible in adapting to new circumstances. For example, towards the end, PRODESEC implemented a pilot project called "harvesting water for life", which has been relevant for project's beneficiaries, mainly responding to their impellent water needs. | 5 |
| Effectiveness | The specific objective was to improve sustainably and equally the access of poor rural households to assets that allow them to benefit from income generating opportunities. Throughout the project's life, the project was successful in approving and financing 315 business plans benefitting 8471 families against a target of 8000. 67% of these business plans, managed by the 57% of families, belongs to the categories "consolidated" or "in development" and show a good development potential. The remaining 33% of business plans are labelled as "established" and still need a stronger organization in order to be competitive in the new markets. PRODESEC fell short in promoting self-employment and employment, as the set target was reached only at 39.3%, with the implementation of 42 self-employment and/or employment oriented-training plans. The main reason was the limited employment opportunities within the local job market for the manpower created by PRODESEC as well as the tendency of project's beneficiaries to look for self-employment opportunities. Through a considerable involvement of local governments and municipalities, the project successfully implemented 6 Integral Plans for water harvesting aimed at mitigating the effects of climate change. With regard to the provision of rural financial services, FONDECA (the Peasants' Development Fund) only disbursed its own funds arising from the funds of TROPISSEC and PROPESUR (previous IFAD projects in Nicaragua: Project for the Capitalization of Small Farmers in the Tropisec Area of the Segovias and South Western Region Small Farmers Project). Thus, PRODESEC was not able to mobilize IFAD's (US\$1,7 million) or BCIE's (US\$1,5 million) funds, as FONDECA failed to comply with the conditions established to disburse such funds. Moreover, the strengthening of IFIs did not take place. Through FONDECA, PRODESEC provided funds to 28 financial intermediaries, which however did not develop new financial products suitable for the target group. Moreover, the project did not finance the families which were running the business plans or employment plans, due to their ineligibility to be considered as beneficiaries according to FONDECA rules. | 4 |

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| Efficiency | PRODESEC was approved in 2003 and became effective in 2004; its closing date was extended by 6 months up to March 2011. The project did not have a quick start, as the organization of its technical and administrative activities took place in 2005, while the components' implementation started in 2006. Until 2008 the project had a low financial execution (around 40%) due to low IFAD funds' execution and suspension of disbursement by BCIE. At the 2009 midterm review (MTR), it was decided to develop an action plan to reverse the risk situation which PRODESEC was facing. At completion, IFAD's loan disbursement rate stood at 86.4%. PRODESEC benefitted from a favourable exchange rate DEG/US\$, whereby IFAD funds increased from US\$25 million to US\$26.9 million. According to the PCR, the ratio between the costs of the project's project management unit (PMU) and the products delivered by PRODESEC shows that the project spent 0.36 cents for each dollar of products delivered to its beneficiaries, which is considered a highly satisfactory ratio. With regard to the cost for each benefitted family, this amounted to US\$743.00, which is considered highly satisfactory compared to IFAD standards (usually a cost of US\$4000 is a satisfactory amount). Finally, the cost for each employment created was US\$1,378.00, which is well below the average cost for an employment in the industrial sector which amounts to US\$4,000.00. | 4 |
| Project Performance | | |
| Partner Performance | | |
| IFAD | Since 2009, IFAD has been in charge of the project's direct supervision. Between 2009 and 2011, IFAD conducted 8 joint supervision missions, with the support of well qualified supervision teams and through a greater participation of project's stakeholders and other public institutions involved in the project. This allowed: i) to obtain good knowledge of the project's implementation stages; ii) to identify major hurdles to the project and to provide the requested technical support; iii) to conduct an effective monitoring of the implementation of the recommendations provided during each supervision mission; iv) to build an easier communication and relationship between IFAD, the GoN and the Project's Management Unit. All this led to an easier communication as well as to smoother administrative processes when dealing with project's refunds and disbursements. As far as the fiduciary aspect is concerned, IFAD was effective in managing project's loan and only in few cases there were some delays in funds' disbursement. Finally, PRODESEC counted on the support of IFAD's Regional Programmes. | |
| Cooperating Institution | BCIE was in charge of PRODESEC's supervision between 2005 and 2008, mainly with concern to the project's technical and financial issues. The supervision missions took place with a yearly frequency. BCIE worked in close collaboration with IFAD. However, it seems that BCIE could have better complied its role on project's supervision and loan administration, in light of the project's major failures (such as the rural financial services component). | 4 |
| Government | The GoN fully complied with its obligation to provide counterpart funds. The GoN supported coordination opportunities among different public institutions, which positively contributed to reorient some PRODESEC interventions, when needed. With the coming into power of the National Reconciliation Government (GRUN), important changes occurred in the political and institutional context, which favoured PRODESEC implementation. IDR (Rural Development Institute) was the PRODESEC implementing agency. IDR's institutional instability, operanzational deficiency and its operational weakness, as well as its complicated bureaucratic and administrative processes have partly been the reason for some encumbrances to PRODESEC. The PMU worked with some autonomy to take decision on project's management. During the first period of project's implementation, the PMU underperformed with regard to the project's financial management, accountability issues, monitoring and evaluation. The audit reports were submitted with some delay and received some observations. During the last two years, the PMU's performance significantly improved, which allowed the project to achieve better results. The PMU also failed to build an effective monitoring and evaluation (M&E) system. | 4 |
| NGO/Other | The PCR does not report on the performance of the NGOs neither of other service providers. It just mentions that they effectively participated in the project's implementation. On the other hand, the PCR also hints at the failure of rural financial services intermediaries to provide financial products suitable for PRODESEC target group. | |
| Cofinancier(s) | As a cofinancier, out of the originally committed funds (US\$4 million), BCIE only provided 21%, which was discharged between 2009 and 2010. Some of the reasons explaining this low disbursement are: i) delay in loan ratification; ii) institutional problems encountered by PRODESEC/IDR to comply with the conditions precedent to disbursement; iii) delay in signing a contract between FONDECA-IDR-PRODESEC and FNI (Financiera Nicaraguense de Inversiones), to administer credit resources approved by BCIE. | 4 |
| Combined Partner Performance | <i>It seems that there were no major problems among project's main partners. Their relationship has improved over time.</i> | |

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| Rural Poverty Impact | | |
| Household Income and Net Assets | On this domain, project impact is positive, although there are not enough information to quantify the changes, which limits the assessment. The PCR mentions an increase in yearly family incomes by four times from US\$874 to 3642 during 2005-2010. The exceptional magnitude of this figure is not supported by sufficient data to take it as granted. However, it is reasonable that as a result of PRODESEC interventions, beneficiary incomes have increased. However, rather than on the higher incomes, the PCR focuses on the beneficiaries broader employment opportunities, which led to have more economically active people being employed or self-employed. In some cases, the revenues of the businesses have been reinvested to improve housing conditions, as beneficiary have better access to electricity services, mobile phones, television sets, bycles and refrigerators. The PCR also mentions that a higher number of land owners (28%) and dwelling owners; the stock of animals (chickens, pigs, poultry, cattle) also rose. As far as rural financial services, the PCR mentions that 11460 families belonging to 59 municipalities of the dry region have improved their access to credit between 2005 and 2010. However, there is a lack of sufficient information to assess the impact of these financial resources. | 4 |
| Natural Resources and Environment | The environment was the cross-cutting issue in the formulation of business plans, employment-oriented training plans and integral plans for water harvesting. Among the main project's interventions reported in the PCR, there are: septic tanks for solid and liquid wastes; waste digesters for the businesses dealing with pigs; improved firewood saving stoves in the case of bakeries; enhanced ovens by using alternative energy for the manufacture of clay bricks; construction and rehabilitation of wells infrastructure for water harvesting; strengthening the human capital to maintain, use and manage natural resources (especially water sources). | 4 |
| Human, Social Capital and Empowerment | In terms of human capital, beneficiaries got access to water harvesting facilities for family use and productive use which contributed to better health conditions. Beneficiary education and literacy also improved, as well as their housing conditions as a result of higher incomes. As far as social capital is concerned, through its demand-led and participatory approach, beneficiaries felt empowered both as individuals and as groups. Through the implementation of employment-oriented training plans, business plans and integral plans for water harvesting, beneficiaries got access to new knowledge and learning; they improved their decision making as well as management capacities to run their own businesses. On the other hand, beneficiaries' productive and technical capacities did not experience the same emphasis, mainly due to the lack of appropriate resources. Beneficiary groups also improved their capacities to get into the labour market at more competitive conditions. Thanks to the project, beneficiaries established strategical alliances with local authorities; there was also a higher availability of local service providers for businesses' development. Through PRODESEC, the project-led beneficiaries groups called "temporary organizations" were transformed into 132 legal cooperatives, which are beneficial for the sustainability of project's achievements. | 4 |
| Ag. Productivity | Within this domain, the PCR suffered from the lack of appropriate and quantitative information. It seems that PRODESEC's impact has taken place mainly through the water harvesting infrastructures and the micro-irrigation systems, which allowed the planting of vegetables and fruits in home gardens, which contributed to the diversification of production. In addition, beneficiaries mention a greater milk production and better health for livestock. | 3 |
| Food Security | The information provided is not exhaustive. By reporting the RIMS indicators, the PCR mentions that there have been reported good results in terms of reduction of chronic and global malnutrition. Among the main drivers for this positive impact there are the implementation of business plans and consequently rising incomes to buy food. In addition, through the water harvesting infrastructures and the micro-irrigation systems, and thus through the planting of vegetables and fruits in home gardens, beneficiaries have improved their food security and have a more balanced diet. | 4 |
| Agricultural Productivity and Food Security | | 4 |
| Inst. & Policies | On the positive side, PRODESEC built a strategic alliance with local governments, with public institutions, association of municipalities, local financial and non-financial service providers which were deeply involved in project's implementation. They became owners of the project's approach and have strongly supported project's achievements. For example, the over performance of the Integral Plans for water harvesting has been possible through the incorporation of the municipal governments and their municipal associations. On the negative side, with regard to PRODESEC's specific aim to support rural development policies, the foreseen impact has not been achieved. Only during the last two years, PRODESEC contributed to strengthen the IDR by giving it financial support to formulate the design of an agri-business programme (PNAIR, Programa Nacional de Agroindustria Rural), as a strategic management instrument to promote and develop agribusiness in Nicaragua. PRODESEC also contributed to strengthening the communication team of IDR. | 4 |

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| Markets | Thanks to the project, some of the beneficiary groups were able to identify new markets and customers for the negotiation and collective marketing of their products, checked competitive pricing; other groups participated in local, national and even international fairs. However, in the majority of cases, there were limits for businesses to get into new markets, as for the majority of them the main customers rest within their communities and/or in the local markets | |
| Project Impact | <i>The assessment of the project's impact has been hindered by the lack of sufficient information, which is due to a weak M&E system.</i> | |
| Overarching Factors | | |
| Innovation | PRODESEC was characterized by some innovative elements, such as: i) the CEFE (Competency based Economies through Formation of Enterprise) methodology, with its participatory feature as well as the adoption of the principle "learning by doing"; ii) the implementation of a project's organizational structure in each focal area of PRODESEC, geared to the approval of beneficiaries proposals, which led to: a) project's being closer to its final stakeholders; b) higher transparency of the approval processes; iii) the creation of a structure - the Temporary Organizations - which allowed the beneficiaries to get access to FOPEN (the Competitive Fund for Business and Employment Financing) resources, as well as to strengthen and develop their skills to manage financial services; iv) the mobilization and participation of local players, such as local governments, NGOs, public institutions which showed a high commitment in supporting the management of beneficiaries' proposals. Moreover, the self-employment- and rural employment- oriented training plans were the first experience being developed in Nicaragua with a bottom-down approach, whereby the training themes were requested by the same beneficiaries which were also responsible for contracting the service providers. Finally, the pilot project "harvesting water for life" was innovative with regard to its administrative procedures, as the accountability mechanism was substituted by the refund-based mechanism, whereby the IDR had to coordinate with different central government's players in order to get funds to execute the works in time and with the requisite quality. Afterwards, these funds were to be refunded by IFAD. | 4 |
| Replicability and Scaling-up | The PCR does not tackle this issue. | |
| Innovation, Replicability and Scaling-up | | 4 |
| Sustainability and Ownership | 67% of the project's supported business plans show a high development potential and are deemed to be sustainable if they get integrated into the value chains of the National Programme for Agribusiness (PNAIR), implemented by IDR. However, there is still a 33% of business plans which require to be strengthened in order to be competitive in the new markets. With regard to the 130 cooperatives, with their new legal status, these should be able to deal more easily with the formal financial sector as well as they could leverage new investments to strengthen or expand their businesses. However, given their recent formation, it is necessary to keep supporting them. The goods and services produced through the project-supported business plans are sustainable. The majority of these products enjoy comparative advantages, as there is an unsatisfied demand in the local markets and their prices are profitable. The sustainability of the water harvesting infrastructure depends on the commitment of beneficiaries and local authorities. However, it can be said that in general, the project mobilized a good number of local actors, which were deeply involved in PRODESEC implementation. Some of these have showed a strong commitment to keep supporting PRODESEC in consolidating its achievements. | 4 |
| Targeting | The PRODESEC target areas included 33 out of 116 municipalities of the dry region, selected according to some appropriate criteria, such as poverty levels, potential for developing rural businesses, IFAD's previous presence. At Appraisal, PRODESEC target group was clearly defined, as it involved rural workers, women, rural poor farmers, subsistence farmers and small and medium rural producers. In this characterization, the main constraints of the target group were identified and the project was also in line with the orientation of Nicaragua's National Human Development Plan. | 5 |
| Gender | A Gender Equity Strategy was embedded in PRODESEC design, to be applied as a cross-cutting issue in all components. Women benefitted from their participation to the project-led productive activities and got access to balanced development opportunities, such as financial resources, assets, services, technological transfers and productive income-generating initiatives to address short-term basic needs. Their participation to the project's initiatives and interventions was high. As a result they felt more independent, secure, with higher self-esteem and greater decision power. However, it seems that PRODESEC main interest was to incorporate a greater number of women and to promote economic initiatives generating revenue to maintain and preserve the family economy. However, this was not enough to make a change in the power relationship between men and women. The lack of favourable institutional conditions for PRODESEC Gender Equity Strategy's fully implementation was the main obstacle. In addition, there were developed insufficient | 4 |

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| | training and sensitization activities on gender issue at project implementation level, as the project's technical staff was not aware of the gender equity strategy, nor had any idea of how it would be implemented. As a result, if there was certainly an increase in women's income, it was not possible to move a step ahead towards women's full empowerment. | |
| Overall Performance | | 4 |
| Estimated number of beneficiaries | 12,000 families, of which 25% (3000) were rural workers, 25% (3000) subsistence farmers, 42% (5000) small and medium producers linked to market, 8% (1000) micro entrepreneurs. | |
| PCR Quality | | |
| Scope | The PCR is fully in line with the Guidelines for Project Completion. | 5 |
| Quality | Although the PCR makes a good effort in analysing and discerning the project's main achievements and shortcomings, it fell short in providing more evidence to substantiate project's impact over the various domains. In addition, some of the relevant issues should have received a more in-depth attention. | 4 |
| Lessons | The PCR contains a number of important and relevant lessons learned. However, these are not enough and do not deal with some of the more critical issues faced by the project (such as the provision of rural financial services). | 4 |
| Candour | Although the PCR makes an effort to present a balanced assessment of both successful as well less successful project's features, it seems that overall the positive features and achievements have been overemphasized. The same table with ratings contained in the PCR shows an over appreciation of the project's achievements. | 4 |