

Table 1. Nicaragua: Quantitative Performance Criteria for PRGF-Supported Program

	Cumulative Flows from January 1, 2002			Cumulative Flows from January 1, 2004							
	December 31, 2003			March 31, 2004			June 30, 2004	September 30, 2004		December 31, 2004	
	Prog. 1/ 2/	Actual	Deviation (-)	Prog. 1/ 3/ 4/	Actual	Deviation (-)	Prog.	Prog. 4/	Rev. Prog. 5/	Prog. 4/	Rev. Prog. 5/
	(In millions of cordobas)										
Net domestic financing of the combined public sector (ceilings)	-474	-491	17	-1,646	-2,191	546	-1,146	-1,624	-2,636	-1,996	-2,884
Savings of the combined public sector (floors)	-1,332	-1,455	-124	723	1,042	319	1,199	...	...	...	...
Net domestic assets of the central bank (ceilings)	-126	-413	288	-201	-1,211	1,009	-308	-273	-867	-94	-91
Central government overall balance, after grants (ceilings)	...	...	...	...	...	...	...	-763	30	-807	314
Combined public sector overall balance, after grants (ceilings)	...	...	...	...	...	...	...	-1,648	-906	-2,113	-1,201
	(In millions of U.S. dollars)										
Net international reserves of the central bank (floors)	34	67	33	0	68	68	5	1	37	20	20
Net repayment of public domestic debt (+) (floors) 6/	50	104	53	19	29	10	47	58	63	86	114
Disbursements of nonconcessional external debt contracted 7/ or guaranteed by the public sector (ceilings)	0	0	0	0	0	0	0	0	0	0	0
Stock of external payments arrears (ceilings) 7/	0	0	0	0	0	0	0	0	0	0	0
	(In millions of cordobas)										
<b>Indicative targets</b>											
Savings of the combined public sector (floors)	...	...	...	...	...	...	...	1,958	1,415	2,396	1,645
Tax revenue of the central government (floors)	18,217	17,989	-228	2,683	2,822	139	5,412	8,382	8,511	11,350	11,416
Total primary expenditure of the central government (ceilings)	21,700	22,298	-598	2,766	2,805	-39	6,109	9,379	9,596	12,729	12,790
Deficit of the combined public sector, before grants (ceilings)	-11,501	-11,992	-491	-614	-329	285	-2,018	-3,035	-3,575	-4,197	-4,872
Net domestic financing of the nonfinancial public sector (ceilings) 8/	-3,457	-3,357	-101	-1,969	-2,474	505	-1,884	-2,681	-3,712	-3,403	-4,374
<b>Memorandum items</b>											
Privatization (In millions of US\$)	57	30	-27	0	50	50	1	1	51	17	61

Sources: Central Bank of Nicaragua; Ministry of Finance; and Fund staff estimates/projections.

1/ As stated in ESB/03/177.

2/ Net domestic financing of the CPS and NFPS was adjusted upward by US\$30 million due to lower privatization receipts. Net repayment of public domestic debt was adjusted downward by US\$63 million due to lower privatization receipts (US\$30 million) and higher NIR accumulation (US\$33 million); it was adjusted downward by US\$10 million due to the placement of government bonds. Net downward adjustment of US\$53 million.

3/ Net domestic financing of the CPS and NFPS was adjusted downward by US\$48.1 million due to higher privatization receipts (US\$49.6 million) and lower BOP support (US\$1.5 million). Net repayment of public domestic debt was adjusted upward by US\$48.1 million due to higher privatization receipts (US\$49.6 million) and lower BOP support (US\$1.5 million); and downward by US\$68 million due to higher NIR accumulation.

4/ Program numbers adjusted for the delay in pension reform. September/December 2004 targets were indicative.

5/ Revised program as stated in EBS/03/177 adjusted by HIPC assistance from multilaterals, higher-than-programmed external debt service (mainly reflecting higher interest rates), and modifications to the budget.

6/ Includes dollar-denominated and dollar-indexed debt. Beginning in 2004, includes debt of the central bank and central government. For previous years, the PC refers only to central bank debt.

7/ Measured on a continuous basis.

8/ On a cash basis.

Table 2. Nicaragua: Fifth and Sixth Program Reviews—Prior Actions, Structural Performance Criteria, and Benchmarks

Measures	Original Program 1/	Revised Program 2/	
	Expected Date of Implementation	Date of Implementation	Status of Implementation
<p><b>I. Prior Actions</b></p> <ul style="list-style-type: none"> <li>• <b>Fiscal measures</b> <ul style="list-style-type: none"> <li>◆ Collect at least C\$40 million from the revenue measures described in ¶8.</li> <li>◆ Implement expenditure savings measures of at least C\$20 million as described in ¶9.</li> <li>◆ Establish a timetable to reduce transfers by C\$37 million to INIFOM, IDR, FISE, and INVUR during 2004.</li> </ul> </li> <li>• <b>Implement a budget reform consistent with the 2004 fiscal program discussed with Fund staff.</b> The budget reform should not increase the 2004 budget deficit.</li> <li>• <b>Establish a monthly monitoring system for current and capital expenditures, by institution.</b></li> <li>• <b>Appoint a special advisor to make specific recommendations on reorganizing intergovernmental relationships and to devise a clear calendar and management process for devolving expenditures and responsibilities.</b></li> <li>• <b>Approve a new superintendency of banks resolution to cover explicitly legal expenses for staff sued for actions taken in the course of their official duties (TMU ¶27).</b></li> </ul> <p><b>II. Performance Criteria</b></p> <p><b>1. Grant legal protection to staff of the superintendency of banks</b></p> <ul style="list-style-type: none"> <li>(i) Submission of a draft law to the assembly.</li> <li>(ii) Approval of a law by the assembly.</li> </ul> <p><b>2. Fiscal responsibility law</b></p> <p>Submission to the assembly (TMU ¶24).</p>		<p>May 25, 2004</p> <p>August 2004</p> <p>End-April 2004</p> <p>August 2004</p> <p>August 2004</p> <p>End-December 2003</p> <p>Mid-May 2004</p> <p>October 15, 2004</p>	<p>Done.</p> <p>Done.</p> <p>Done.</p> <p>Done.</p> <p>Done.</p> <p>Done.</p> <p>Done.</p> <p>Done.</p> <p>Not observed. Waiver requested.</p>

Table 2. Nicaragua: Fifth and Sixth Program Reviews—Prior Actions, Structural Performance Criteria, and Benchmarks (*continued*)

Measures	Original Program 1/	Revised Program 2/	
	Expected Date of Implementation	Date of Implementation	Status of Implementation
<b>III. Benchmarks</b>			
<b>Fiscal</b>			
<b>1. Fiscal responsibility law</b>			
(i) Submission to the assembly.		End-June 2004	Delayed.
(ii) Approval by the assembly (TMU ¶24).		End-December 2004	
<b>2. Revised Tax Code</b>			
(i) Submission to the assembly.		End-2003	Submitted in Nov. 2003.
(ii) Approval by the assembly.		End-March 2004	Delayed.
(iii) Approval by the assembly (TMU ¶25).		End-October 2004	
<b>3. Approval by the assembly of the law on domestic and external public indebtedness</b>		End-2003	Done.
<b>4. Strengthen tax administration through:</b>			
(i) DGI (domestic tax administration) to adopt an action plan for 2004–06, including:	End-March 2004	End-December 2003	Done.
(a) Strengthen the tax office’s large taxpayers’ unit (LTU) (TMU ¶28).		End-March 2004	Substantial progress made by end-June 2004.
(b) Implement effective procedures to monitor stop filers and delinquent taxpayers in all local offices (TMU ¶29).		End-December 2004	
(c) Present a three-year strategic IT plan.		End-September 2004	Eliminated, not considered macro-critical.
(ii) Adoption of an action plan for DGA (customs) for 2004–06.	End-June 2003	End-March 2004	Delayed.
(iii) Adoption of an action plan for DGA (customs) for 2004–06.		End-September 2004	Authorities are in the process of designing the action plan.

Table 2. Nicaragua: Fifth and Sixth Program Reviews—Prior Actions, Structural Performance Criteria, and Benchmarks (*continued*)

Measures	Original Program 1/	Revised Program 2/	
	Expected Date of Implementation	Date of Implementation	Status of Implementation
<p><b>5. Public expenditure commission</b> to advise government on how to improve the effectiveness of public spending to generate growth and reduce poverty.</p> <p>(i) Review public spending with the aim of improving efficiency of MINSA, MECD, MTI, INIFOM, IDR, and FISE. 3/</p> <p>(ii) Define efficiency indicators for MECD and MINSA, and report them, quarterly, in the <i>“Informe Ejecutivo del Presupuesto de 2005.”</i></p> <p>(iii) Improve classification of capital and current expenditures, starting with the 2005 budget (TMU ¶30).</p> <p><b>6. Law on financial administration</b></p> <p>(i) Submission to the assembly.</p> <p>(ii) Approval by the assembly.</p> <p><b>7. Decentralization 4/</b></p> <p>(i) Issue a presidential decree to modify the municipality law’s regulations</p> <p>(ii) Establish a legal framework that redefines the responsibilities of the FISE and INIFOM.</p> <p>(iii) Expenditures equivalent to one-third (1/3) of revenue transfers shifted to municipalities as part of the 2005 budget.</p> <p>(iv) Creation and staffing of unit in ministry of finance to report on decentralization (TMU ¶31).</p> <p><b>8. Pension reform.</b> Complete a review of the pension reform strategy, with technical assistance from the World Bank (TMU ¶32).</p> <p><b>Financial Sector</b></p> <p><b>9. Approval of new on-site technical and administrative procedures for banking supervision,</b> including the inspection manual and regulatory actions for noncompliance with norms in effect, in line with Basel Core Principles.</p>		End-March 2004	Done.
		End-September 2004	
		End-September 2004	
		October 15, 2004	
		End-December 2004	
		End-September 2004	Replaced with (iii) and (iv) below.
		End-September 2004	Replaced with (iii) and (iv) below.
		End-September 2004	
		End-September 2004	
		End-October 2004	
	End-December 2003	Approved on January 16, 2004. Will be modified to incorporate FSAP recommendations.	

Table 2. Nicaragua: Fifth and Sixth Program Reviews—Prior Actions, Structural Performance Criteria, and Benchmarks (*concluded*)

Measures	Original Program 1/	Revised Program 2/	
	Expected Date of Implementation	Date of Implementation	Status of Implementation
<b>10. Approval of prudential norms to limit risks derived from maturity mismatches between assets and liabilities.</b>	End-March 2003	End-November 2003	Approved in October 2003.
<b>11. Submission to the assembly of amendments to financial sector laws</b> in line with Basel Core Principles for effective bank supervision and for changes in FOGADE.	End-September 2003	End-September 2004	
<b>12. Strengthen legal protection for staff of the Central Bank of Nicaragua.</b>			
(i) Submission to the assembly.		End-December 2003	Done.
(ii) Approval by the assembly.		May 15, 2004	Delayed.
<b>Privatization</b>			
<b>13. Divest the remaining government stake in ENITEL.</b>	End-September 2003	End-December 2003	Completed in January 2004.
<b>Governance</b>			
<b>14. Judicial reform</b>			
(i) Launch national consultation process of authorities' proposal.		End-December 2003	Done.
(ii) Present a detailed action plan.		End-June 2004	Delayed.
(iii) Present a detailed action plan.		End-September 2004	
(iv) Establish academic degrees for graduating judicial students.		End-September 2004	

1/ As indicated in EBS/02/194 (November 20, 2002). The specific requirements for the implementation of these measures are specified in the Technical Memorandum of Understanding (TMU).

2/ The specific requirements for the implementation of these measures are specified in the TMU.

3/ Health Ministry (MINSA), Education Ministry (MECD), Ministry of Transportation and Infrastructure (MTI), Nicaraguan Institute of Municipal Development (INIFOM), Rural Development Institute (IDR), and Emergency Social Investment Fund (FISE).

4/ These measures aim at balancing, in the medium term, the resource transfers with the corresponding transfers of expenditure responsibilities to municipalities. The broad objective is to improve the efficiency of public spending by ensuring greater participation and accountability at the local level for spending decisions.