

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

## **NICARAGUA**

### **PROGRAM TO SUPPORT THE SECRETARIAT FOR COORDINATION AND STRATEGY OF THE OFFICE OF THE PRESIDENT (SECEP)**

**(NI-0181)**

### **LOAN PROPOSAL**

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Annex III	Logical framework matrix

## **BASIC SOCIOECONOMIC DATA**

For basic socioeconomic data, including public debt information, please refer to the following address:

<http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata>

## **INFORMATION AVAILABLE IN THE RE2/SC2 TECHNICAL FILES**

### **Preparation:**

National Development Plan

Strengthened Economic Growth and Poverty Reduction Strategy (SGPRS)

Second progress report. October 2003 (SGPRS)

Annex IV: Details on technical-cooperation operations approved by the executing agency:  
SECEP (formerly the SETEC)

## ABBREVIATIONS

CONADES	Consejo Nacional de Desarrollo Sostenible [National Sustainable Development Council]
CONPES	Consejo Nacional de Planificación Económica y Social [National Economic and Social Planning Council]
FSO	Fund for Special Operations
GDP	gross domestic product
GMIS	government management information system
GON	Government of Nicaragua
HIPC	Heavily Indebted Poor Countries
ICB	international competitive bidding
IDB	Inter-American Development Bank
IMF	International Monetary Fund
NDP	National Development Plan
NPIS	National Public Investment System
PRGF	Poverty Reduction and Growth Facility
PTI	poverty-targeted investment
SECEP	Secretariat for Coordination and Strategy of the Office of the President
SETEC	Technical Secretariat of the Office of the President
SGPRS	Strengthened Economic Growth and Poverty Reduction Strategy
SIGFA	Integrated Audit and Financial Management System



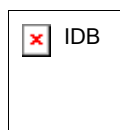
# NICARAGUA

## IDB LOANS

APPROVED AS OF FEBRUARY 29, 2004

	US\$Thousand	Percent
<b>TOTAL APPROVED</b>	<b>2,168,987</b>	
DISBURSED	1,633,584	75.31 %
UNDISBURSED BALANCE	535,403	24.68 %
CANCELATIONS	42,176	1.94 %
PRINCIPAL COLLECTED	344,295	15.87 %
<b>APPROVED BY FUND</b>		
ORDINARY CAPITAL	274,979	12.67 %
FUND FOR SPECIAL OPERATIONS	1,822,032	84.00 %
OTHER FUNDS	71,976	3.31 %
<b>OUTSTANDING DEBT BALANCE</b>	<b>1,289,289</b>	
ORDINARY CAPITAL	146,262	11.34 %
FUND FOR SPECIAL OPERATIONS	1,138,733	88.32 %
OTHER FUNDS	4,294	0.33 %
<b>APPROVED BY SECTOR</b>		
AGRICULTURE AND FISHERY	384,826	17.74 %
INDUSTRY, TOURISM, SCIENCE AND TECHNOLOGY	104,359	4.81 %
ENERGY	213,173	9.82 %
TRANSPORTATION AND COMMUNICATIONS	312,787	14.42 %
EDUCATION	32,435	1.49 %
HEALTH AND SANITATION	179,513	8.27 %
ENVIRONMENT	65,673	3.02 %
URBAN DEVELOPMENT	57,014	2.62 %
SOCIAL INVESTMENT AND MICROENTERPRISE	289,997	13.37 %
REFORM AND PUBLIC SECTOR MODERNIZATION	497,836	22.95 %
EXPORT FINANCING	1,826	0.08 %
PREINVESTMENT AND OTHER	29,547	1.36 %

\* Net of cancellations with monetary adjustments and export financing loan collections.



**Inter-American Development Bank**  
Regional Operations Support Office  
Operational Information Unit

## Nicaragua

### Tentative Lending Program

#### 2004

Project Number	Project Name	IDB US\$ Millions	Status
NI0171	Basic Education for the Young and the Adults	10.0	APPROVED
NI0170	PPP Road Program for Competitiveness	40.0	APPROVED
NI0180	VIII population and IV housing census	6.6	APPROVED
NI0181	Institutional Support to the Coordination and Strategy Secretariat	7.0	
NI1001	Health Program II	30.0	
NI0168	Citizenship Security Prog.	7.0	
*NI1002	Enitel Investment Program	34.8	
NI1005	Support implementation of national development plan	70.0	
<b>Total - A : 8 Projects</b>		<b>205.4</b>	
NI1004	Family Ministry Strengthening	3.0	
NI0113	Road Program for Competitiveness - Zone 3	40.0	
<b>Total - B : 2 Projects</b>		<b>43.0</b>	
<b>TOTAL 2004 : 10 Projects</b>		<b>248.4</b>	

#### 2005

Project Number	Project Name	IDB US\$ Millions	Status
NI0183	Social Reform Program II	25.0	
NI1006	Road Integration (PPP) and Competitiveness Program	50.0	
NI0110	Education II	25.0	
NI0152	Masaya Basin and Municipality Env Prog	10.0	
NI0155	Integral Attention to poor neighborhoods	20.0	
NI0177	Administrative Probity and Anti-Corruption Plan	15.0	
<b>Total - A : 6 Projects</b>		<b>145.0</b>	
<b>TOTAL - 2005 : 6 Projects</b>		<b>145.0</b>	

<b>Total Private Sector 2004 - 2005</b>	<b>34.8</b>
<b>Total Regular Program 2004 - 2005</b>	<b>358.6</b>

\* Private Sector Project



# NICARAGUA

## STATUS OF LOANS IN EXECUTION

AS OF FEBRUARY 29, 2004

(Amount in US\$ thousands)

APPROVAL PERIOD	NUMBER OF PROYECTS	AMOUNT APPROVED*	AMOUNT DISBURSED	% DISBURSED
<b><u>REGULAR PROGRAM</u></b>				
Before 1998	2	54,733	45,495	83.12 %
1998 - 1999	8	188,175	122,072	64.87 %
2000 - 2001	17	307,713	85,148	27.67 %
2002 - 2003	9	205,200	25,823	12.58 %
2004	3	56,550	0	0.00 %
<b>TOTAL</b>	<b>39</b>	<b>\$812,371</b>	<b>\$278,538</b>	<b>34.29 %</b>

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\* Net of cancellations. Excludes export financing loans.



**PROGRAM TO SUPPORT THE SECRETARIAT FOR COORDINATION AND  
STRATEGY OF THE OFFICE OF THE PRESIDENT (SECEP)**

(NI-0181)

**EXECUTIVE SUMMARY**

<b>Borrower:</b>	Republic of Nicaragua	
<b>Executing agency:</b>	Secretariat for Coordination and Strategy of the Office of the President (SECEP)	
<b>Amount and source:</b>	IDB: FSO	US\$7,000,000
	Local:	<u>US\$ 777,780</u>
	<b>Total:</b>	<b>US\$7,777,780</b>
<b>Financial terms and conditions:</b>	Amortization period:	40 years
	Grace period:	10 years
	Disbursement period:	4 and one half years
	Interest rate:	1% for the first 10 years; 2% thereafter
	Inspection and supervision:	1.00%
	Credit fee:	0.5%
	Currency:	United States dollars
<b>Objectives:</b>	<p>The objective is to assist the Government of Nicaragua in its efforts to deal more effectively with the country's social and economic challenges, and to coordinate public investment with local and external resources more efficiently and more effectively; as well as to monitor more effectively social development and economic growth investments and strategies at the national, regional, and local level. The project seeks to strengthen SECEP as an institution in the areas of planning, policy formulation, and implementation of the National Development Plan (NDP) and the Strengthened Economic Growth and Poverty Reduction Strategy (SGPRS), and in particular to help the latter fulfill its functions and mandates (paragraphs 2.1; 2.2).</p>	
<b>Description:</b>	<p>The following components have been conceived to accomplish the program objectives:</p> <p><b>Institutional strengthening of SECEP</b> (US\$1,519,620) which includes financing for: (i) technical assistance to help SECEP with the process of consultation on the NDP and with its implementation and</p>	

to provide training for interministerial teams; (ii) studies and sector and/or special strategies at the subnational level; (iii) strengthening of SECEP's information technology system (hardware and software); and (iv) equipping and outfitting.

**Monitoring and impact evaluation** (US\$900,000), which includes: financing for technical assistance (international and local consultants), equipment, and consulting activities and negotiation, as well as activities to promote the NDP (although World Bank funding has been used to carry out evaluations in certain sectors, SECEP has identified other evaluations in the social sectors that need to be performed to supplement the present ones).

**Strengthening of the National Public Investment System** (US\$3,834,800). This component comprises financing for studies in connection with execution of the SGPRS to be performed by consultants, and for preinvestment studies for projects emanating from the NDP.

**Government management information system** (US\$894,500). This component seeks to consolidate all existing systems so that senior officials can obtain accurate and timely information on the country's status at any given moment. The system would have a great impact on decision-making within the SECEP and the Office of the President; would have a positive influence on the country's negotiations with bilateral and multilateral institutions; and would enhance the efficiency of coordinating, monitoring, and controlling the status of the SGPRS and the NDP, as well as budgetary execution. To accomplish these aims, the program will provide financing for: (i) the design of and/or adjustments to a government management information system (GMIS) that fulfills the functions described earlier; (ii) the design and putting in place of interfaces to interconnect the different systems that would feed the GMIS; (iii) an analysis of impact and development indicators and any adjustments (for the SGPRS and the NDP); and (iv) (hardware and software) equipment. (paragraphs 2.3; 2.13)

**The Bank's  
country and  
sector strategy:**

The Bank's strategy with Nicaragua has identified three major challenges facing poverty reduction efforts: (i) economic growth; (ii) governance; and (iii) productivity improvements among low-income groups. In addition, it was found when the previous strategy was being carried out that because of the FSO's limited resources, Bank intervention needs to be targeted and performance indicators must be included to be able to evaluate the progress made. One of the major objectives of the present operation is to coordinate and monitor the SGPRS and to evaluate its impact. In this way, this operation would fit in with the strategic approach of good governance thus

making for a more efficient and more effective government of higher integrity that has the capacity to meet the targets of the SGPRS and enjoys the support and confidence of the nation. (paragraphs 1.14; 1.16)

**Coordination  
with other  
official  
development  
agencies:**

The Secretariat of Coordination and Strategy, formerly the Technical Secretariat of the Office of the President, has had the support of the IDB and the World Bank. The latter will continue supporting the entity through a project to be approved in 2004, and the involvement of the two banks will complement one another. Although the other donor agencies are not financing any specific activities, they are committed to assisting with the strengthening of SECEP in order to have an interlocutor, in addition to the Ministry of Foreign Affairs itself, to coordinate international assistance, particularly through sector committees. The World Bank program (EMTAC II) is described in detail in paragraphs 1.19 and 1.20. It includes the following actions: (i) strengthening of fiscal and financial administration; (ii) consolidation of public sector reform; and (iii) strengthening of the process of planning and monitoring of the public policy strategy.

**Environmental  
and social  
review:**

The operation as proposed will not have any direct environmental effects; however, given the important role SECEP will play in implementing the country's economic and social development strategies a consulting services component has been added with the following main objectives: approving and adopting practices and tools to facilitate program mainstreaming of sector environmental management at a strategic planning level; adopting strategic environmental evaluations; a mechanism for project prioritization that includes an environmental review; and training for staff involved in these issues. (paragraphs 4.4; 4.5)

**Benefits:**

The direct benefits of the operation stem from the increased efficiency and effectiveness in the workings of the Nicaraguan public sector; more coordinated and thus more effective decision-making in public investment; and a rationalization of efforts combined with the favorable impact of the Nicaraguan government's task, which are produced when specific goals and targets are pursued over the long term. The indirect benefits of the project, including those arising indirectly from project execution, are expected to have a positive impact on poverty, health, and education indicators and to make a critical contribution to fiscal deficit reduction [through a more efficient National Public Investment System (NPIS)]; to enhance the country's image internationally [the positive results (backed up by relevant and reliable supporting documentation) of the SGPRS and NDP strategies]; to make essential information more readily available

for negotiations with multilateral and bilateral institutions]; and to increase transparency in the public sector. (paragraphs 4.5; 4.6)

**Risks:**

The project does not entail any major risks since the National Development Plan is widely supported at home and by international development agencies, which was evident at the meeting of the Consultative Group in Managua in late October 2003. Since early 2004, the political situation has been showing signs of broader consensus, particularly with close collaboration of the forces that brought President Bolaños to power, materializing late last year in the passage of major legislation that is essential for reaching the HIPC completion point and continued adherence to the IMF arrangement. There are, however, a number of long-term risks having to do mainly with the nature of the country that the program is trying to mitigate. For example: (a) the authorities (at the highest levels) should continue to accord priority to the SGPRS/NDP. Based on experience and the results obtained up to this time, future administrations are expected to keep the strategies high on the agenda, since areas concerned with strategy implementation and monitoring would be strengthened; (b) the public sector institutions concerned will need to allocate budget funds, coordinate efforts, and keep databases updated, all under SECEP's stewardship. Again, the results so far are essential for motivating these institutions to stay the course with the SGPRS/NDP. Furthermore, the proposed program will provide financing and human resources to bolster coordination and leadership in order to implement these strategies.

**Special contractual clauses:**

The eligibility criteria must have been established as a special condition for the release of financing for investment projects in production-oriented sectors.

**Poverty-targeting and social sector classification:**

This operation does not qualify as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704). Nor does it qualify as a poverty-targeted investment (PTI).

**Exceptions to Bank policy:**

None.

**Procurement:**

Selection and hiring of consulting services and all procurements must be carried out in accordance with standard Bank procurement procedures and policies. International competitive bidding will be mandatory for contracts equal to, or more than, US\$250,000 in the case of goods and US\$200,000 in the case of consulting services. In the case of contracts below these thresholds, the procurement of goods and related services and of consulting services will be governed by local legislation insofar as such legislation does not contravene Bank

procurement policies. No construction works are planned under the program.

## **I. FRAME OF REFERENCE**

### **A. Socioeconomic framework**

- 1.1 After more than a decade of transformation in which many activities handled by the public sector (mainly State-owned companies in different sectors) were returned to the private sector, the Nicaraguan government has geared itself for an economic recovery that should restore growth to pre-1980 levels. Although economic growth was positive for most of the 1990s, it was not strong enough to regain its earlier pre-1980 peak or to make more than a dent in the country's high rates of poverty and extreme poverty. During this period of subpar growth, Nicaragua was adversely affected by Hurricane Mitch (in 1998) and the financial repercussions of widespread corruption and bank failures.
- 1.2 At the end of the 1990s, in conjunction with the HIPC initiative, the government introduced a Strengthened Economic Growth and Poverty Reduction Strategy (SGPRS) that was viewed with satisfaction by civil society and multilateral lending institutions. Responsibility for drafting the strategy fell to the then Technical Secretariat of the Office of the President (SETEC), which with the support of the IDB and the World Bank performed the assessments and designed the strategy. SETEC continued to serve as the technical advisory body to the Office of the President, and in this role was responsible for implementing a pilot program in support of the SGPRS. However, given its nature as a technical advisory body, strictly speaking its role should be confined to providing guidance in public policy and not to implementing projects of this kind.
- 1.3 The role that SETEC would play was transformed because of the need for coordinated, well-planned programs to help implement this strategy, and with special IDB-financed advisory assistance steps were taken to expand the role the Secretariat would play, strengthening its position in guiding public investment in the country. So it happened that the Technical Secretariat of the Office of the President (SETEC) was changed to the Secretariat for Coordination and Strategy of the Office of the President (SECEP) (see paragraph 2.10) with its present functions.
- 1.4 In this way, the focus falls on correcting shortcomings in the model used by the Executive Branch to bridge gaps in a ministry or secretariat that accords priority to investment, bringing it into line with the objectives of the National Development Plan (NDP),<sup>1</sup> a document recently approved by the Office of the President and the ministerial cabinet following intense and lengthy discussion (see Appendix I) with representatives of civil society; and seeks a pro-growth approach based on identifying the country's real production potential, in areas known as clusters that call for ongoing studies to obtain the most favorable economic output from the

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<sup>1</sup> The NDP was prepared by a SECEP technical team in accordance with the mandate set out in Decree 64-2000.

country's comparative advantages in certain sectors (meat, dairy products, tourism, forestry, fisheries).

- 1.5 The activities of institutions in the Executive Branch and other State entities need to be consistent with the development plan that has been approved and validated. It is essential therefore that basic ideas about the plan be disseminated and conveyed to all institutions in the public sector. It is also important that coordination and planning units compatible with the proposed investments be set up at the regional and departmental level.
- 1.6 In addition to the members of the cabinet with their different area and sector responsibilities, Nicaragua's institutional fabric covers other parallel executing entities, with expertise in many cases in implementing programs financed with international technical-cooperation funding that is of major importance to the country. The SECEP, as the most suitable body for ensuring that public sector interventions are coherent and consistent with the country's different commitments including the SGPRS, the arrangement with the IMF, and other internationally financed programs, needs to be strengthened so that an instrument that links and coordinates the development plan can be developed.
- 1.7 What has been lacking is an office at the Executive Branch level to handle international cooperation; although this task has been discharged largely by the Ministry of Foreign Affairs, the role it plays does not extend to prioritizing the use of such assistance received from abroad and combining it with other programs. In fact, what is needed is a State institution with an overview of development programs that is able to coordinate the efforts of the different sections of the cabinet and other executing agencies. In the present administration, the ministers have been divided into three different groups (social, production, and infrastructure), which means that some unifying presence is needed within the cabinet to act as coordinator and to coordinate the efforts of the different cabinets.
- 1.8 Moreover, enhancing the country's potential, as noted earlier, calls for studies that pinpoint major pitfalls, priority areas of investment, as well as the feasibility studies and infrastructure project designs that would be needed to make the economic sectors identified more competitive. Such studies and an evaluation of programs in progress and their impact also require a coordinating mechanism to guide their use, with the technical resources to move these tasks forward and the authority to engage the technical advisory assistance needed in each case.

- 1.9 The government has now identified a set of investments to enhance economic competitiveness and facilitate production that will require substantial commitments of funds for feasibility studies, designs, and environmental impact assessments. The availability of sufficient resources for preinvestment is essential for maintaining the project portfolio that is to be presented to multilateral and bilateral financial institutions. The three components identified (paragraphs 2.7 to 2.9) justify financing the present operation since it could continue and build on the excellent efforts of the Secretariat, which was established with the earlier IDB support.

## **B. Institutional framework**

- 1.10 The Technical Secretariat of the Office of the President (SETEC) now known as the Technical Secretariat for Coordination and Strategy of the Office of the President (SECEP),<sup>2</sup> was established as part of the public sector modernization process, set in motion by the enactment of Law 290 in 1998, which encompasses the organization and jurisdiction of the Executive Branch as well as the procedures it uses. Its objectives embrace activities concerned with strategy, regulation, and verification as well as monitoring of the

**From the SGPRS to NDP:** Although the country has undergone considerable change since the SGPRS was approved, it has also made great strides. One of the significant changes was a change of administration, with the ensuing progress made in attaining some of the targets set out in the strategy. Also, the new administration moved the country towards a new long-term vision, which entailed adjustments to the SGPRS. This new country vision, rooted in the National Development Plan that was negotiated in consultation with stakeholders in civil society developed and approved by the government, was presented to the international donor community at the meeting of the Nicaragua Consultative Group (27 and 28 October 2003). Within two years after the SGPRS' inception, the two evaluations performed annually to determine the progress being made in pursuing the strategy are only two of the instruments used to gauge the effectiveness of the SGPRS. "Such progress includes new directions and circumstances that are factored into the NDP." Amongst the conclusions of the evaluations are:

1. The SGPRS conceptual framework reflects an underlying weakness in the goals of economic growth and its handout approach to social policy.
2. The national priorities charted in the SGPRS have helped to funnel resources more orderly but not necessarily more efficiently.
3. As some of the social goals set for 2005 have now been met, these estimates will need to be revised.
4. Although significant progress linked to government efforts has been made in most of the targets, the targets must be examined more closely to see if they can be sustained.
5. External sources of financing continue to be overly rigid and more flexibility needs to be gradually introduced; and lastly and most significantly
6. Social services will not be delivered more efficiently without organizational, operational, and institutional changes to social policy at the national level where the actions of different institutions come together and are coordinated. (NDP, pp. 164-165).

Against this backdrop, the NDP was prepared at the government's initiative and presented at the meeting of the Consultative Group on 27 and 28 October 2003. The NDP then belongs to a second generation SGPRS that refines the country strategy for development of the nonfinancial sectors.

<sup>2</sup> The entity's name was changed pursuant to Presidential Decree 64-2000, which also attributed certain specific functions to SECEP, under an amendment to Law 290 of 1998.



public sector. SECEP, with support from the Bank and other sources of financing, formed a group of highly skilled professionals and between 2000 and 2003, engaged technical-assistance experts to help the government plan, formulate, and coordinate major public policies, under an institutional framework.

- 1.11 Amongst its major accomplishments during that period, SECEP was able: to design an economic and social plan for the medium term (SGPRS); to align the SGPRS with public investment plans and to prepare an initial progress report; to assist the government with HIPC negotiations and to arrange a Poverty Reduction and Growth Facility (PRGF) with the IMF; to coordinate external assistance and meetings of the consultative groups; to implement social sector policies more effectively; to conceive the National Development Plan (NDP), a new strategy reflecting the new administration's vision; to implement a preinvestment program in tourism, geothermal energy, transportation, and land and environmental management for Puerto Cabezas; and to conduct 12 special studies.
- 1.12 Specifically, the SECEP has approached the IDB and the World Bank for help in implementing the 2004-2006 strategic plan, an element of the NDP long-term strategy, summed up below:
  - (i) Formulation of and consultation on the administration's social and economic plan for 2004-2006 and its implementation, with the support of a public investment program that will in turn encompass: negotiation on and coordination of a NDP that is sustainable and competitive in conjunction with different sectors; establishment, implementation, and monitoring of a structural reform and economic policy program; coordination and monitoring of the SGPRS and policy on social safety nets; and one-time IDB assistance for preparing, carrying out, and monitoring consultative groups.
  - (ii) Support for modernization of the State and structural reform, with a focus on structural reform in the areas of health, education, and social safety nets.
  - (iii) Modernization of the National Public Investment System (NPIS). This covers strengthening of the NPIS in order to boost its capacity to respond more effectively to government priorities and policies; enhancing preinvestment capacity and building a project portfolio that is consistent with NDP targets; to facilitate external cooperation; and to help create and equip Subnational Public Investment Units.
  - (iv) Evaluation of the impact of the government program in support of the multiyear budget and planning system, the management impact information system, annual evaluation of the SGPRS and the NDP, and the government's management information system.

- (v) Consolidating the SECEP's institutional management, reviewing the objectives, functions, organization, human resources, equipment, information systems, training, etc.

1.13 In addition, the Bank has supported SECEP serving as the executing agency in various initiatives, because of its outstanding work history and top-notch technical and professional staff. SECEP's involvement has been justified in all the previous technical-cooperation operations approved by the Bank (see Annex IV), given its proven leadership as a coordinating agency over the years.

#### **C. The country's strategy for the sector**

1.14 The cornerstone of the Bank's strategy with the country is actions to spur economic growth and fight poverty, also central components of the country's strategy. Obtaining tangible results on both fronts depends on whether investment is properly coordinated with a favorable climate for private sector development, preferably in sectors with the greatest potential that the government has selected as clusters in need of concerted initiatives from various areas of the public sector. Within the country's institutional framework, coordinating these actions falls to SECEP, which needs to be strengthened to be able to move forward with its mission of planning and monitoring.

1.15 These concepts and targets are outlined in the NDP, which as noted earlier was presented to the international donor community at the meeting of the **Consultative Group for Nicaragua** on 27 and 28 October 2003, which was also attended by different civil society organizations and representatives of the private sector.

1.16 The results of the Consultative Group stand to reaffirm the headway the government has made in: (i) maintaining macroeconomic stability; (ii) reaching the HIPC initiative completion point shortly; (iii) preparing the NDP; and (iv) proposing institutional transformation, including a successful campaign to fight corruption. As to the NDP, "the people of Nicaragua and the donor countries agreed that the National Development Plan was an excellent point from which to start building a vision for the country that transcends any one administration and whose principal goal is to strengthen and deepen the process of consultation with Nicaraguan society and to answer the challenges considered during the meeting."<sup>3</sup>

#### **D. The Bank's strategy for the sector**

1.17 In February 2003, the Bank's Board of Executive Directors approved the IDB country strategy with Nicaragua (document GN-2230-1), which was updated in May of that year. The main aim is to assist the Nicaraguan government with its efforts to establish and implement actions that are needed to accomplish the SGPRS

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<sup>3</sup> Summary of the Plenary Session and the Chairman's closing remarks.

targets. To reach this objective, the strategy identifies three key challenges in the process of poverty reduction: (i) economic growth; (ii) governance; and (iii) productivity improvements among low-income groups. In addition, it was found when the previous strategy was being carried out that because of the FSO's limited resources, Bank intervention needs to be targeted and performance indicators must be included to be able to evaluate the progress made.

- 1.18 One of the main objectives of the present operation is to coordinate, monitor, and evaluate the impact of the SGPRS. Approval of the NDP places fresh demands on the SECEP, which will need to boost the tasks of supervision and coordination, as well as the development of new indicators for nonfinancial sectors and adjustment of social indicators to the new demands. This operation, then, fits in well with the strategic focus of governance based on efficient and effective government built on integrity, that has the capacity to attain the targets set out in the SGPRS and enjoys the support and trust of the people of Nicaragua.
- 1.19 **Actions of, and coordination with, other donors.** The Secretariat of Coordination and Strategy, formerly the Technical Secretariat of the President's Office, has had the support of the IDB and the World Bank. The latter will continue supporting the entity through a project to be approved in early 2004, and the involvement of the two banks will complement one another as noted further on. Although the other donor agencies are not financing any specific activities, they are committed to assisting with the strengthening of SECEP in order to have an interlocutor, in addition to the Ministry of Foreign Affairs itself, with which to coordinate international assistance, particularly through sector committees.
- 1.20 **World Bank. Modernization of the public sector. Technical assistance loan (EMTAC II).** Pressing ahead with support for the government under the first public-sector reform program (EMTAC No. 3314-Ni), the World Bank is finalizing a second phase of reforms that include, at the government's request, actions to enhance governance and strengthen public sector institutions; to set up a HIPC monitoring system; to ameliorate the public spending management and programming system; and to reform the civil service and strengthen local government.
- 1.21 The project comprises three components as follows:
  - a. **Strengthening of fiscal and financial administration:** This component is in turn divided into three subcomponents: (i) **Consolidation and extension of the Integrated Audit and Financial Management System (SIGFA)**; whereby the aim is to extend the use of SIGFA to the entire public sector; to put in place an electronic hiring system that is integrated with SIGFA; to deconcentrate financial management to the central government's executing units and four decentralized entities; to provide training to staff in the sector on the new standards, technologies, and procedures; to develop a SIGFA-integrated project

system; and to design a conceptual framework for a "SIGFA at the municipal level," and to introduce it in one municipio as a pilot initiative; (ii) **Strengthening fiscal and macroeconomic policy formulation.** This subcomponent seeks: (a) to improve financial management and transparency; (b) to strengthen the government's fiscal position through more effective revenue-generating and cost rationalization mechanisms; (c) to implement the government's economic program successfully; and (d) to provide technical support to the government in macroeconomic matters and public finance; (iii) **Strengthening and expansion of the public investment system.** The idea is: (a) to reinforce the SECEP public investment unit as the entity that guides the system; (b) to put in place at all levels of the central government procedures for investment project formulation; (c) to raise the efficiency of the public investment information system; and (d) to strengthen and modernize regional and sector public investment units.

- b. **Consolidation of public-sector reform:** This component will provide financing for all investment for: subcomponent I. **Introduction of a strategy for institutional reform:** (i) establishment and implementation of an action plan for central government institutional reform; (ii) amendment of Law 290, to redefine the functions and organizational structure of the Executive Branch; and streamline the number of institutions in the Executive Branch of government; (iii) establishment of public assistance, social development, and production development centers; and (iv) introduction of an institutional framework for government policies. Subcomponent II. **Civil service:** (i) setting up of an institutional organization structure, pursuant to the amended law (290); (ii) establishment and implementation of a new job classification system and administrative manuals based on the human resources strategy; (iii) putting in place of the civil service information system; and (iv) design and implementation of a new civil service compensation strategy, including information on the fiscal impact of the adjustments.
- c. **Strengthening of the process of planning and monitoring of the public policy strategy:** This component is divided into two subcomponents: I. **Refining the planning and monitoring strategy.** The focus will be support for: (i) improving and updating the SGPRS and NDP; (ii) developing strategic plans for different clusters; (iii) preparing studies to gauge the impact that economic policy has on different sectors; (iv) developing and implementing a new multiyear budget. II. **Enhancing governance and promoting citizen participation.** It is proposed: (i) to broaden participation by civil society; (ii) to promote access to information; (iii) to establish a public sector communications network; and (iv) to create an office in charge of strategic communications with areas outside the public sector.

**E. Program strategy**

- 1.22 The present operation seeks to maintain and improve the effectiveness of the institutional framework put in place under the previous program funded by the World Bank and IDB under loan 1032/SF-NI (support for social policy development), to enable SECEP to consolidate the leading role it plays in: (i) designing and developing government strategies and programs; (ii) coordinating and supervising the implementation of the SGPRS/NDP; and (iii) formulating public investment policy by means of a strengthened NPIS. Maintaining and strengthening a technical team of SECEP's expected caliber will make it possible to accomplish the objectives outlined in these strategies.
- 1.23 Given the comprehensive nature of the World Bank-financed program, the SECEP was approached by the project team, which examined a financing matrix (available in the program technical files) to make sure that the funding provided for the present operation would complement the World Bank financing and that efforts would not be duplicated.

## **II. THE PROGRAM**

### **A. Objectives and description**

- 2.1 The objective is to assist the Government of Nicaragua in its efforts to deal more effectively with the country's social and economic challenges, and to coordinate public investment with local and external resources more efficiently and more effectively; as well as to monitor more effectively social development and economic growth investments and strategies at the national, regional, and local level.
- 2.2 The project seeks to strengthen SECEP as an institution in the areas of planning, policy formulation, and implementation of the National Development Plan (NDP) and the Strengthened Economic Growth and Poverty Reduction Strategy (SGPRS), and in particular to help the latter fulfill its functions and mandates. These mandates include: (i) determining demand for local and external resources, administering the National Public Investment System (NPIS), supervising fulfillment of public policies, and ascertaining whether it is consistent with the strategies and priorities approved by the cabinets; and monitoring the macroeconomic parameters; (ii) developing a monitoring and evaluation system to assess the social and economic impact of public policies; (iii) improving planning and administration of public spending; and (iv) strengthening the NPIS.

### **B. Structure of the program**

- 2.3 Over the years, the SECEP technical team has demonstrated the necessary leadership in effectively programming and planning activities in the government's strategy, and especially those concerned with the implementation of the SGPRS. Such leadership has proven vital in the process of consultation, and in coordinating and performing studies, designing indicators, and negotiating with the principal local and international stakeholders. The present operation seeks to give continuity to the gains that SECEP has secured and to help the latter to fulfill efficiently and effectively the new tasks and obligations under the National Development Program. Accordingly, to accomplish the program objectives noted earlier, the following components have been conceived:

#### **1. Institutional strengthening of SECEP (US\$1,519,620)**

- 2.4 The government's approval of the National Development Plan marks the start of an important process for the country's future that should be headed by the SECEP. This involves a process of negotiation in which the program is discussed with the rest of the country, including the principal stakeholders within the country (private

sector and civil society);<sup>4</sup> and outside (international bilateral and multilateral donors). In other words, stepping up efforts already under way to coordinate, monitor, and supervise the implementation of the SGPRS, as well as present efforts concerned with the National Development Plan. The aim, therefore, is to strengthen the SECEP and key institutions involved in the social and nonfinancial sectors, so that they can function more efficiently and effectively in implementing and evaluating the NDP, which the government will be putting in place during the 2004-2006 period.

- 2.5 In light of the foregoing, the aim of this component will be to heighten SECEP capacity to reconcile, monitor, supervise, and assess the social and economic impact of public policies, based on the targets of the SGPRS and NDP. To this end, financing will be provided for: (i) technical assistance to help SECEP with the process of consultation on the NDP and with its implementation and to provide training for interministerial teams; (ii) studies and sector and/or special strategies at the subnational level; (iii) strengthening of SECEP's information technology system (hardware and software); and (iv) outfitting and equipment.
- 2.6 A subcomponent of this program will be institutional strengthening for monitoring these strategies mentioned and evaluating their impact. Hence, this would include:

## **2. Monitoring and impact evaluation (US\$900,000)**

- 2.7 Implementation of the SGPRS/NDP seeks to improve the socioeconomic conditions of the people of Nicaragua. Accordingly, SECEP designed a national system of indicators, mainly for the social sectors, to gauge the impact of the strategy on the population. All of the public entities in the social sectors are using the indicators developed by SECEP. Now that the National Development Plan has been approved, the Nicaraguan government needs to replicate its efforts in the nonfinancial sectors.
- 2.8 The present operation includes financing for technical assistance (international and local consultants), equipment, and consulting activities and negotiation, as well as activities concerned with: (i) the design of indicators for nonfinancial sectors and a review and update of indicators for the social sectors; (ii) monitoring and impact assessment of the strategies through an analysis of the indicators and specific studies that are relevant; and (iii) activities to promote the NDP (although World Bank funding has been used to carry out evaluations in certain sectors, SECEP has identified other evaluations that are needed in the social sectors to supplement the present ones).

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<sup>4</sup> Although the government has already consulted different members of civil society during the first draft of the NDP, it was the government's understanding that it should be an ongoing and dynamic process (insofar as the NDP might be modified and/or updated over time).

### **3. Strengthening of the National Public Investment System (US\$3,834,800)**

- 2.9 Strengthening of NPIS is an essential tool for coordinating and monitoring the implementation of the SGPRS and NDP. Amongst the government's vital functions and a key responsibility falling to SECEP is the task of coordinating the investment programs of ministries (and other entities in the public sector) effectively with the goals and targets of the SGPRS and NDP. More importantly, given the government's intention of commencing, in some cases, and deepening, in others, the process of decentralizing production-oriented projects, the NDP will involve assessments of priority investment as well as assessments of the country's regions. Consequently, the purpose of this component will be to increase government capacity to monitor and administer the National Public Investment System; and, to accomplish this aim, financing of up to US\$3.9 million, has been included for: (i) specific consultancies to perform assessments, establish eligibility criteria for investment projects in production-oriented sectors, and prepare the Investment Plan in accordance with NDP objectives; (ii) feasibility and prefeasibility studies and general and special preinvestment studies of priority to the government (based on the NDP), whose ultimate aim would be to strengthen public investment in production-oriented sectors and economic infrastructure. (see Annex II)

### **4. The government management information system (US\$894,500)**

- 2.10 The public sector, often with the support of the Bank, has helped design and implement information systems that perform, to the extent that they are fully established, the functions of organization, process expediting, monitoring of activities, etc. Of note are the economic and financial information (Central Banks), integrated financial management, human resources information, customs control and administration systems (Ministries of Finance); as well as education and health systems to name only a few. In the case of Nicaragua, we need to add the indicator system to the SGPRS monitoring system and those that will be developed (under the present program), for coordinating, monitoring, and evaluating the NDP.
- 2.11 Nevertheless, provision has not yet been made for consolidating the information from all existing systems, so that the country's highest authorities can obtain timely and accurate information on the country's situation at any given moment. Such a system would have a considerable impact on decision-making within the SECEP and the Office of the President, and a favorable influence on Nicaragua's negotiations with bilateral and multilateral institutions; and would improve the efficiency of coordinating and supervising the SGPRS and NDP as well as the budgetary performance, and monitoring their status, features that would in turn make for more effective decision-making in government. To sum up, then, these reforms would give a snapshot of the country's health at any given time.
- 2.12 To attain these objectives, financing will be provided for: (i) the design of and/or adjustments to a government management information system (GMIS) that fulfills



the functions described earlier; (ii) the design and putting in place of interfaces to interconnect the different systems that would feed the GMIS; (iii) an analysis of impact and development indicators and any adjustments (for the SGPRS and the NDP); and (iv) (hardware and software) equipment.

### C. Cost and financing

- 2.13 It is estimated the program will cost US\$7.8 million, of which the Bank will provide the equivalent of US\$7 million to be drawn on the Fund for Special Operations (FSO). The local counterpart contribution is put at approximately US\$800,000, equivalent to 10% of the total cost of the program. Presented below is the program budget by component in thousands of United States dollars:

**Table II-1**  
**Consolidated program budget**  
**(in thousands of US\$)**

BUDGET CATEGORIES		IDB/FSO	GON	TOTAL	
			INT'L.COMM	U.S. DOLLARS	%
<b>A.</b>	<b>INSTITUTIONAL STRENGTHENING</b>	<b>1,222.02</b>	<b>297.60</b>	<b>1,519.62</b>	<b>19.5</b>
	1. CONSULTANTS	1,032.00	0.00	1,032.00	
	2. TRAINING AND DISSEMINATION	60.00	210.00	270.00	
	3. EQUIPPING AND OUTFITTING	76.50	30.00	106.50	
	4. INFRASTRUCTURE		57.60	57.60	
	5. TRAVEL AND PER DIEMS	53.52			
<b>B.</b>	<b>MONITORING AND IMPACT EVALUATION</b>	<b>540.00</b>	<b>360.00</b>	<b>900.00</b>	<b>11.6</b>
	1. CONSULTANTS	540.00	360.00	900.00	
<b>C.</b>	<b>STRENGTHENING THE NPIS</b>	<b>3,834.80</b>		<b>3,834.80</b>	<b>49.3</b>
	1. CONSULTANTS	3,834.80		3,834.80	
<b>D.</b>	<b>GOVT MANAGEMENT INFORMATION SYSTEM</b>	<b>894.50</b>		<b>894.50</b>	<b>11.5</b>
	1. CONSULTANTS	350.00	0.00	350.00	
	2. EQUIPPING AND OUTFITTING	514.50		250.00	
	3. TRAINING	30.00		30.00	
<b>E.</b>	<b>OTHER</b>	<b>359.18</b>	<b>55.48</b>	<b>414.66</b>	<b>5.3</b>
	1. CONTINGENCIES	259.18	55.48		
	2. FINAL EVALUATION	50.00			
	3. AUDIT	50.00			
<b>F.</b>	<b>FINANCIAL CHARGES</b>	<b>149.50</b>	<b>64.70</b>	<b>214.20</b>	<b>2.8</b>
	1. INTEREST	79.50			
	2. CREDIT FEE		64.70		
	3. INSPECTION AND SUPERVISION FEE	70.00			
<b>TOTAL</b>		<b>7,000.00</b>	<b>777.78</b>	<b>7,777.78</b>	<b>100.0</b>

### **III. PROGRAM IMPLEMENTATION**

#### **A. Borrower and executing agency**

- 3.1 The borrower will be the Republic of Nicaragua, and the executing agency will be the Secretariat for Coordination and Strategy of the Office of the President (SECEP), which will coordinate its activities with the economic and social cabinets, as well as with all institutions in the public sector to ensure that the program is satisfactorily completed.

#### **B. Project implementation and management**

- 3.2 SECEP will be in charge of carrying out the program under the supervision of the Minister. It is estimated that execution will take four years; and disbursement four and one half years (54 months). A small executing unit whose members will be the coordinators of each of SECEP's sector areas and support staff will be set up to assist with project execution. Thus, the project will benefit from the experience of staff used for the previous operation. The unit, which will not involve the hiring of additional staff, will need to be established at the instructions of the General Coordinator of SECEP before the present operation goes to the Bank's Board of Executive Directors.
- 3.3 To this end, the executing unit's functions will include: (i) preparing documentation and information on monitoring and fulfillment of conditions precedent to the first disbursement for approval by the national entities and the IDB; (ii) moving forward with the process of identifying, selecting, hiring, and monitoring local and international consultants engaged for the program; (iii) coordinating technical assistance and training for the ministries and other State entities; (iv) presenting progress reports and annual work plans; (v) keeping accounting and financial records and presenting disbursement requests; and (vi) coordinating workshops, seminars, and other events as well as the midterm and final program evaluations.
- 3.4 The executing unit will be required to keep on behalf of SECEP an internal financial accounting system for control of program resources. The accounting system will need to be organized to provide ready access to documentation that may be needed to verify transactions and to facilitate preparation of financial statements and accounting reports, as required. The accounting system must also be set up in such a way as to record all funds SECEP receives from different sources for a similar purpose or objective, since that could be considered part of the local contribution in order to be able to identify goods and services procured out of the proceeds of the Bank's contribution and financing from other sources.
- 3.5 The executing agency will be required to submit semiannual progress reports describing the progress and accomplishments for each component and for the

program as a whole, based on the activities completed during the six-month period under review. The information must also be presented cumulatively to give an idea of the progress towards achieving the program objectives. Likewise, the report must contain information on the financial progress made for each component and for the program as a whole, describing any problems encountered and how they were resolved. In addition, the reports must contain financial projections together with work estimates, as well as the expected accomplishments for the following six-month period.

- 3.6 The funding for the National Public Investment System component will be used primarily to finance feasibility and prefeasibility studies. Eligibility criteria must have been established as a special condition precedent to the financing of investment projects in production-oriented sectors.

**C. Procurement of goods and services**

- 3.7 Selection and hiring of consulting services and all procurements must be carried out in accordance with standard Bank procurement procedures and policies. International competitive bidding will be mandatory for contracts equal to, or more than, US\$250,000 in the case of goods and US\$200,000 in the case of consulting services. In the case of contracts below these thresholds, the procurement of goods and related services and of consulting services will be governed by local legislation insofar as such legislation does not contravene Bank procurement policies. Construction works are not envisaged for the program.
- 3.8 Experts will be hired as consultants to carry out consulting work according to terms of reference agreed on in advance with the Bank. It is further understood that such terms of reference may be adjusted or supplemented while the project is in progress by mutual agreement between the executing agency and the Bank.
- 3.9 Any contracts entered into with the consultants must specify that the latter have the following duties and responsibilities: (i) to make any clarifications or amplifications that the executing agency or the Bank should consider necessary with respect to mandatory reports in accordance with the terms of reference established in their respective contracts; (ii) to provide the executing agency and the Bank with such additional information as may be reasonably requested in connection with their project works; and (iii) in the case of international consultants, to perform their work in conjunction with local professional staff that may be assigned or engaged by the executing agency to take part in the project.
- 3.10 The executing agency will be responsible for procurement of all goods and services and consultants required for the program.

#### **D. Execution period and disbursement schedule**

- 3.11 The program will be carried out over a period of four years, and the disbursement period will be four and one half years, calculated in each case from the effective date of the loan contract. A tentative disbursement schedule is presented in the table below:

<b>Table III-1</b>					
<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4 1/2</b>	<b>Total</b>
US\$ thousands	1,155	2,695	3,080	770	7,700
%	15	35	40	10	100%

#### **E. Monitoring and evaluation**

- 3.12 The program will be monitored by means of annual reviews based on the initial report which is a condition precedent set out in the general contractual conditions, and the projections contained therein, and an annual work plan will be prepared in the following year. The executing agency will present semiannual progress reports within two months after the end of the corresponding six-month period (30 June and 31 December).
- 3.13 The executing agency, together with the Bank, will perform a midterm evaluation in month 18 of the program or when 25% of the funding has been disbursed, whichever occurs first. A final evaluation is to be performed two months before the date of the last disbursement. Consultants will be hired to prepare the discussion paper for each evaluation. The information contained in the discussion paper will include the physical and financial rate of advance and the extent to which the performance indicators established for each component have been met.
- 3.14 However, the final evaluation will be based on the indicators approved and set out in the SGPRS and those in the NDP. In addition, the final evaluation of the present operation will be accompanied by supporting documentation attesting to fulfillment of the indicators in the program logical framework.
- 3.15 The executing agency will present the program financial statements for each financial year, to be examined by a firm of independent auditors acceptable to the Bank. The cost of such audits will be defrayed out of the proceeds of the Bank financing, and the financial statements must be presented within 120 days after the close of each financial year.

## IV. VIABILITY AND RISKS

### A. Institutional viability

- 4.1 The SECEP has probably assembled the finest team of technical experts in the Nicaraguan public sector. The Secretariat, with financing support from the Bank and other sources, engaged technical assistance experts to help the government plan, formulate, and coordinate major public policies, under an institutional framework. Amongst its major accomplishments during that period, SECEP was able: (i) to design an economic and social plan for the medium term (SGPRS); (ii) to align the SGPRS with public investment plans and to prepare an initial progress report; (iii) to assist the government with HIPC negotiations and to arrange a Poverty Reduction and Growth Facility (PRGF) with the IMF; (iv) to coordinate external assistance and meetings of the consultative groups; (v) to implement social sector policies more effectively; (vi) to conceive the National Development Plan (NDP), a new strategy reflecting the new administration's vision; (vii) to implement a preinvestment program in tourism, geothermal energy, transportation, and land and environmental management for Puerto Cabezas; and (viii) to conduct 12 special studies.
- 4.2 The Secretariat has also acquired considerable experience with programs financed by the IDB, the World Bank, and bilateral donors. One such program was a project in support of **social policy development (loan 1032/SF-NI)** with the following specific objectives: (i) to strengthen SETEC's capacity for analyzing and harmonizing social and economic policy; (ii) to develop key policies for poverty reduction; (iii) to establish and introduce socioeconomic indicators and indicators for analyzing the impact of the government's program on the poorest sectors. This program brought the following achievements: (i) several successfully completed social sector studies; (ii) process of consultation and adoption of the SGPRS (domestically and internationally); (iii) development of a framework for negotiation with the IMF on the HIPC initiative; development of a national system of indicators for social sectors targeted under the SGPRS; (iv) workshops and seminars with interministerial teams to disseminate, coordinate, and monitor implementation of the SGPRS.

### B. Socioeconomic viability

- 4.3 The project's socioeconomic viabilities rest mainly on the most efficient and effective use of the government's budget resources and external assistance based on a ranking of tighter priorities in the use of such funds and more effective targeting of public investment. Such an aim cannot be accomplished without a strengthened SECEP with a leadership role in a centralized and decentralized public sector and a National Public Investment System that has been consolidated as a mechanism for this purpose. Consequently, public investment will need to be closely coordinated

to conform to the National Development Plan. To this end, and for purposes of determining the socioeconomic impact of the investments planned under the NDP, the program includes a monitoring and evaluation component that will be used to design and implement the corresponding development indicators, making it possible to evaluate and document these socioeconomic impacts.

### **C. Financial viability**

- 4.4 Over time the government will cover an increasing share of the financing of SECEP activities as the funding provided by the Bank is gradually reduced.<sup>5</sup> In this regard, the Nicaraguan government is committed to making every effort to achieve annual incremental increases in the budgetary allocations for SECEP commencing in year two of the program and continuing until one year after completion. The annual increments in budgetary allocation are shown in the table below. The amount that will be covered by the government one year after completion will be US\$250,000 in addition to its present annual budget (approximately US\$1 million). This would leave SECEP with a total budget of US\$1.25 million, to ensure it operates smoothly.
- 4.5 These budgetary allocations will be recorded for accounting purposes in the corresponding items of the SECEP general budget and the national budget and not strictly as contractual commitments of counterpart funding for the present operation, to mitigate any risks arising from smaller budgets after completion of the program. To this end, the loan contract will reflect the government's commitment to making the corresponding budgetary contributions.

<b>Table IV-1</b>						
<b>Contribution</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6 (after completion of the program)</b>
GON	0	50,000	100,000	200,000	250,000	250,000

### **D. Environmental impact**

- 4.6 The operation as proposed will not have any direct environmental effects; however, given the key role SECEP will play in implementing the country's social and economic development strategies, a consulting services component has been added with the following main objectives: approving and adopting practices and tools to facilitate program mainstreaming of sector environmental management at a strategic planning level; adopting strategic environmental evaluations; a mechanism

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<sup>5</sup> At present, SECEP receives financing in addition to what has been provided by the Bank. For the purpose of this program, the financing for the present operation will be gradually replaced.

for project prioritization that includes an environmental review; and training for staff involved in these issues.

- 4.7 The project report was considered by the Committee on Environment and Social Impact on 10 October 2003 and reflects the recommendations made at that meeting.

**E. Benefits**

- 4.8 The direct benefits of the operation stem from the increased efficiency and effectiveness in the workings of the Nicaraguan public sector; more coordinated and thus more effective decision-making in public investment; and a rationalization of efforts combined with the favorable impact of the Nicaraguan government's task, which are produced when specific goals and targets are pursued over the long term.

- 4.9 The indirect benefits of the project, including those arising indirectly from project execution, are expected to have a positive impact on poverty, health, and education indicators and to make a critical contribution to fiscal deficit reduction [through a more efficient NPIS]; to enhance the country's image internationally [the positive results (backed up by relevant and reliable supporting documentation) of the SGPRS and NDP strategies]; to make essential information more readily available for negotiations with multilateral and bilateral institutions]; and to increase transparency in the public sector.

**F. Risks**

- 4.10 The project does not entail any major risks since the National Development Plan is widely supported at home and by international development agencies, which was evident at the meeting of the Consultative Group in Managua in late October 2003. Since early 2004, the political situation has been showing signs of broader consensus, particularly with close collaboration of the forces that brought President Bolaños to power, materializing late last year in the passage of major legislation that is essential for reaching the HIPC completion point and continued adherence to the IMF arrangement.

- 4.11 There are, however, a number of long-term risks having to do mainly with the nature of the country that the program is trying to mitigate. For example:
- a. The authorities (at the highest levels) should continue to accord priority to the SGPRS/NDP. Based on experience and the results obtained up to this time, future administrations are expected to keep the strategies high on the agenda, since areas concerned with strategy implementation and monitoring would be strengthened.
  - b. The public sector institutions concerned will need to allocate budget funds, coordinate efforts, and keep databases updated, all under SECEP'S stewardship. Again, the results so far are essential for motivating these institutions to stay the

course with the SGPRS/NDP. Furthermore, the proposed program will provide financing and human resources to bolster coordination and leadership in order to implement these strategies.



## **NATIONAL DEVELOPMENT PLAN**

### **Details of the consultative process**

In 1997, the previous administration began a consultative process that led to the genesis of the Strengthened Economic Growth and Poverty Reduction Strategy (SGPRS). Political parties, the business community, the unions, the churches, universities, professional associations, the women's movement, and community organizations were brought into the consultative process. The ultimate aim of this process was to garner widespread support for the proposed policies. Later, in 1998, dialogue began on reform of the health system at the same time as a new education strategy was conceived with input from broad segments of Nicaraguan society.

In 1999, building on its experience with the consultative groups, the Nicaraguan government created the National Economic and Social Planning Council (CONPES), with legal standing under the Constitution, as a permanent forum reflecting the demands of the Nicaraguan people and civil society. In addition, a process of identifying and prioritizing projects on the basis of economic and social targets was set in motion; and the outcome was the adoption of the SGPRS, which was evaluated and approved by the IMF and the World Bank as part of the documentation submitted for reaching the HIPC initiative decision point. The government recognizes, however, the need to strengthen the groundwork for economic growth, one area in which the SGPRS is considered weak. So it was that the Office of the President convened a participatory process to establish the National Development Plan while organizing the structure of a National System of Citizen Participation.

One of the conditions underpinning the NDP is the political willingness at the highest level to achieve stable and enduring agreements between the different stakeholders and between the different social and economic sectors. The political willingness is also reflected in the national budget in light of the government's conviction that investment within the country should be determined at the subnational level. To this end, the government has organized sector events at the national level, working groups with sectors that are represented by CONPES and the National Sustainable Development Council (CONADES), the branches of the State, and political parties; and forums were organized between social and economic stakeholders in each region and Department.

Actions involved in phase one of the consultative process:

1. **Subnational forums.** Organizing and holding 17 forums across the country, with the support of the senior management of CONADES. The objectives of the forums were: (i) to learn about stakeholder perceptions and expectations; (ii) to analyze the government's proposal; (iii) to establish subnational priorities, a national vision for the years 2008 and 2028 establishing social, economic, environmental, and organizational targets for each area; and (iv) to establish levels for participatory management for development in the department or region, its members, its mission, the decision-making mechanisms, the role of participants and expected government support.

ATTENDANCE AT SUBNATIONAL FORUMS					
Sector	Number of persons invited		Number of persons who attended		Percentage attendance (%)
	Total and breakdown %		Total and breakdown %		
Sectors and NGOs	489	43.05	414	42.86	85
Delegates of the Executive Branch	240	21.13	287	29.71	120
Local governments	151	13.29	145	15.01	96
Entrepreneurs	226	19.89	90	9.32	40
Regional authorities	30	2.64	30	3.11	100
Total	1136	(100%)	966	(100%)	85%

2. **Sector forums.** Organization and holding of seven sector forums including: mayors, teenagers, youth, women, social movements (environmental, indigenous, etc.), entrepreneurs, and unions. These forums were supported by CONPES and were based on standardizing the results of the subnational forums. In its presentation, the NDP consisted of a version that included input from national forums.

A total of seven meetings were planned for phase two, with delegates of all entities within the Executive Branch of the Departments and independent regions. The meetings consisted of: (i) issues and approach; (ii) promotion by departmental cabinets; (iii) analysis of public investment portfolio; (iv) establishment of a **departmental vision**; and (v) organization.

The National Development Plan presented further details of the consultative process as well as subsequent phases. The Plan is available to the parties concerned in the project technical files and in the Secretariat for Coordination and Strategy of the Office of the President.

**PROPOSED PROJECTS TO BE FINANCED WITH PREINVESTMENT FUNDS  
(PRELIMINARY VERSION)**

<b>Description</b>	<b>Amount</b> (US\$ thousands)
<b>MINISTRY OF TRANSPORTATION AND INFRASTRUCTURE (MTI)</b>	<b>1,549.9</b>
<b>HIGHWAYS</b>	444.4
Design to resurface and improve Granada-Guanacaste connector	78.4
Study and design to resurface Puerto Sandino connector	70.0
Study and design to resurface Las Conchitas Montelimar	296.0
<b>ROADS</b>	1,105.5
<b>Road program for the competitiveness of zone IV (dairy and livestock development, eco-tourism)</b>	
Study and design to resurface Juigalpa-La Libertad-Sto Domingo-El Ayote	420.0
Study and design to resurface Juigalpa-Puerto Díaz	162.0
Study and design to resurface Pájaro Negro-El Almendro-El Triunfo	213.5
<b>Road program for the competitiveness of zone I (High potential for tourism development and agricultural production)</b>	
Study and design to resurface Ochomogo-Las Salinas	145.0
Study and design to resurface Nandaime-El Astillero	165.0
<b>NICARAGUAN WATER AND SEWERAGE COMPANY (ENACAL)</b>	<b>1,379.9</b>
<b>RIVAS</b>	
Study on final water supply and sewerage design for San Juan del Sur	134.4
<b>MASAYA</b>	
Study on final water supply and sewerage design for Catarina	91.6
Study on final water supply design and on adjusting the final sewerage design for Masaya	633.8
Study on final water supply and sewerage design for Nindirí	51.1
<b>CHONTALES</b>	
Study on final water supply and sewerage design for Juigalpa	182.3
<b>BOACO</b>	
Study on final water supply design for Boaco	286.7
<b>NATIONAL ENERGY COMMISSION (CNE)</b>	<b>100.0</b>
Appraising æolian potential of San Juan del Norte, Monkey Point, northern Puerto Cabezas	100.0
<b>MINISTRY OF TRANSPORTATION AND INFRASTRUCTURE</b>	
<b>HIGHWAYS</b>	
Design to resurface and upgrade Granada–Guanacaste connector 9.8 km	78.4
Study and design to resurface Puerto Sandino connector 10.0 km	70.0
<b>TOTAL</b>	<b>3,178.2</b>

**PROGRAM TO SUPPORT THE SECRETARIAT FOR COORDINATION AND  
STRATEGY OF THE OFFICE OF THE PRESIDENT (SECEP)  
(NI-0181)**

**LOGICAL FRAMEWORK**

<b>Program</b>	<b>Institutional strengthening of SECEP project</b>	<b>Strengthening of the National Public Investment System (NPIS) project</b>	<b>Government management information system (GMIS) project</b>
<b>Program GOAL</b>			
<ul style="list-style-type: none"> <li>To help improve quality of life for the people of Nicaragua.</li> </ul>			
<b>Program PURPOSE</b>	<b>GOAL of project 1</b>	<b>GOAL of project 2</b>	<b>GOAL of project 3</b>
<ul style="list-style-type: none"> <li>To help improve government management, achieving a positive impact in social and production-oriented sectors.</li> </ul>	<ul style="list-style-type: none"> <li>To help improve government management, achieving a positive impact in social and production-oriented sectors.</li> </ul>	<ul style="list-style-type: none"> <li>To help improve government management, achieving a positive impact in social and production-oriented sectors.</li> </ul>	<ul style="list-style-type: none"> <li>To help improve government management, achieving a positive impact in social and production-oriented sectors.</li> </ul>
<b>PROJECTS in the program:</b>	<b>PURPOSE of project 1</b>	<b>PURPOSE of project 3</b>	<b>PURPOSE of project 4</b>
<ul style="list-style-type: none"> <li>Institutional strengthening of SECEP project</li> <li>Strengthening of the monitoring and impact evaluation system project</li> <li>Strengthening of the National Public Investment System (NPIS) project</li> <li>Government management information system (GMIS) project</li> </ul>	<ul style="list-style-type: none"> <li>To boost SECEP's capacity to monitor, supervise, and evaluate the economic and social impact of public policies, in accordance with the targets in the SGPRS and NDP.</li> </ul>	<ul style="list-style-type: none"> <li>To strengthen the government's capacity to monitor and administer the National Public Investment System.</li> </ul>	<ul style="list-style-type: none"> <li>To improve government decision-making and make it more efficient, through the use of the government management information system (GMIS).</li> </ul>
	<b>COMPONENTS</b>	<b>COMPONENTS</b>	<b>COMPONENTS</b>
	<b>1.1</b> Plan introduced to strengthen SECEP. <b>1.2</b> Monitoring and evaluation system introduced.	<b>2.1</b> Plan implemented to strengthen the National Public Investment System.	<b>3.1</b> Government management information system operating.

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**PROJECT 1**

<b>Objectives</b>	<b>Indicators</b>	<b>Means of verification</b>	<b>Key assumptions</b>
<b>Fin</b>			
<ul style="list-style-type: none"> <li>To help improve government management, achieving a positive impact in social and production-oriented sectors.</li> </ul>	<ul style="list-style-type: none"> <li>The following indicators improve by the end of program execution: From the SGPRS (three social indicators: the net school enrollment rate rises from 84.7% to 91.8% by the end of the project; the maternal mortality rate falls from 100.3 per 100,000 live births to 64.2 by the end of the project; and access to safe drinking water increases from 72.8% to 85.4% by the end of the project). From the NDP (3 production-oriented indicators change as follows (as defined in project 2): growth in gross domestic product (GDP) rises from 1% to 5% by the end of the project; the number of service delivery centers jumps from 0 to 30 by the end of the project; and the number of clusters operating increases from 0 to 4 by the end of the project).</li> </ul>	<ul style="list-style-type: none"> <li>SGPRS/NDP, monitoring and evaluation reports.</li> <li>IDB, World Bank, and IMF reports.</li> </ul>	
<b>Purpose</b>			
<ul style="list-style-type: none"> <li>To boost SECEP's capacity to monitor, supervise, and evaluate the economic and social impact of public policies, in accordance with the targets in the SGPRS and NDP.</li> </ul>	<ul style="list-style-type: none"> <li>In the third quarter of 2004, SECEP begins to expand its coordination functions with government strategy-related activities (sector-wide approaches functioning in three sectors by the end of the project ).</li> <li>Ten SECEP officials are trained in monitoring in the second year of execution.</li> <li>Starting in 2005, SECEP has the capacity to evaluate the outcome of the SGPRS/NDP (three social and/or economic policies evaluated by the end of the project).</li> </ul>	<ul style="list-style-type: none"> <li>NDP execution reports.</li> <li>Certification of training courses and seminars.</li> <li>Evaluation reports.</li> </ul>	<ul style="list-style-type: none"> <li>Authorities continue to accord priority to the SGPRS/NDP.</li> </ul>

PROGRAM TO SUPPORT THE SECRETARIAT FOR COORDINATION AND STRATEGY OF THE OFFICE OF THE PRESIDENT (SECEP) (NI-0181)			
PROJECT 1			
Objectives	Indicators	Means of verification	Key assumptions
Components			
<p>1. Plan introduced to strengthen SECEP.</p> <p>2. Monitoring and impact evaluation system strengthened.</p>	<ul style="list-style-type: none"> <li>▪ Consultations on the NDP completed in the second year of execution.</li> <li>▪ Two workshops held to train 10 interministerial teams to execute the NDP, starting in year one of the program.</li> <li>▪ Two sector strategies completed in year two of the program.</li> <li>▪ SECEP information technology system operating in the second year of the program.</li> <li>▪ Indicators designed for production-oriented sectors and in use in the second year of the program.</li> <li>▪ Five studies prepared examining the impact of social and production-oriented public policies by the end of the project: one by the end of 2004; two in 2005; and two in 2006.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Reports from subnational organizations and civil society.</li> <li>▪ Reports from trainers.</li> <li>▪ Strategy papers.</li> <li>▪ SECEP reports.</li> <li>▪ Final reports.</li> <li>▪ Reports from the relevant public entities.</li> <li>▪ Reports from the studies.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The officials trained in the program remain at SECEP.</li> <li>▪ Authorities continue to accord priority to executing the SGPRS/NDP; and approve impact indicators and studies.</li> </ul>
Activities:	Budget:		
1.1 Plan to strengthen SECEP	US\$2,419,620		
1.1.1 Hiring consultants	US\$1,085,520		
1.1.2 Training and dissemination	US\$ 270,000		
1.1.3 Equipment and outfitting	US\$ 164,100		
1.2.1 Hiring consultants	US\$ 900,000		

<b>PROGRAM TO SUPPORT THE SECRETARIAT FOR COORDINATION AND STRATEGY OF THE OFFICE OF THE PRESIDENT (SECEP) (NI-0181)</b>			
<b>PROJECT 2</b>			
Objectives	Indicators	Means of verification	Key assumptions
<b>Goal</b>			
<ul style="list-style-type: none"> <li>To help improve government management, achieving a positive impact in social and production-oriented sectors.</li> </ul>	<ul style="list-style-type: none"> <li>Indicators in the SGPRS (three social indicators) and in the NDP (three production-oriented indicators, as defined in component 2) all improve by the end of program execution.</li> </ul>	<ul style="list-style-type: none"> <li>SGPRS/NDP, monitoring and evaluation reports.</li> </ul>	<ul style="list-style-type: none"> <li>National authorities earmark resources in accordance with SGPRS/NDP criteria and priorities.</li> </ul>
<b>Purpose</b>			
<ul style="list-style-type: none"> <li>To strengthen the government's capacity to monitor and administer the National Public Investment System (NPIS).</li> </ul>	<ul style="list-style-type: none"> <li>The percentage of public sector investments made according to SGPRS/NDP criteria jumps from 80% to 100% by the end of the program.</li> </ul>	<ul style="list-style-type: none"> <li>Ministry of Finance and NPIS statistics.</li> </ul>	<ul style="list-style-type: none"> <li>Government and local entities fulfill the SGPRS/NDP strategy and objectives.</li> </ul>
<b>Components</b>			
<ul style="list-style-type: none"> <li>Plan executed to strengthen the National Public Investment System.</li> </ul>	<ul style="list-style-type: none"> <li>Paper containing eligibility criteria for studies in place by the end of the first year of program execution.</li> <li>Eight preinvestment studies that are consistent with the NDP are prepared by the end of the project.</li> <li>Ten subnational public investment units in the NPIS are strengthened by the end of 2005.</li> </ul>	<ul style="list-style-type: none"> <li>Field inspection/system reports.</li> <li>Reports from the public entities responsible for the preinvestment studies.</li> <li>Field inspection.</li> </ul>	<ul style="list-style-type: none"> <li>Public entities and subnational units maintain SECEP coordination and adapt to SECEP decisions.</li> </ul>
<b>Activities:</b>	<b>Budget:</b>		
3.1 Hiring consultants	US\$3,834,800		<ul style="list-style-type: none"> <li>Suitable consultants are located, and they comply with their terms of reference.</li> </ul>

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**PROJECT 3**

<b>Objectives</b>	<b>Indicators</b>	<b>Means of verification</b>	<b>Key assumptions</b>
<b>Goal</b>			
<ul style="list-style-type: none"> <li>To help improve government management, achieving a positive impact in social and production-oriented sectors.</li> </ul>	<ul style="list-style-type: none"> <li>Indicators in the SGPRS (three social indicators) and in the NDP (three production-oriented indicators, as defined in project 2) all improve by the end of program execution.</li> </ul>	<ul style="list-style-type: none"> <li>SGPRS/NDP, monitoring and evaluation reports.</li> </ul>	<ul style="list-style-type: none"> <li>National authorities earmark resources in accordance with SGPRS/NDP criteria and priorities.</li> </ul>
<b>Purpose</b>			
<ul style="list-style-type: none"> <li>To improve government decision-making capacity, through the use of the GMIS.</li> </ul>	<ul style="list-style-type: none"> <li>GMIS and standardized indicators (including macroeconomic, social, and production-oriented indicators) are providing timely, reliable information available at the presidential level by the last year of project execution.</li> </ul>	<ul style="list-style-type: none"> <li>GMIS reports.</li> <li>Presidential reports.</li> </ul>	<ul style="list-style-type: none"> <li>Public institutions (information sources) keep their data current.</li> </ul>
<b>Components</b>			
<ul style="list-style-type: none"> <li>Government management information system is operating.</li> </ul>	<ul style="list-style-type: none"> <li>The design of the GMIS is completed and approved by the end of year one of the project.</li> <li>Interfaces with other systems introduced starting in year two of execution.</li> <li>Presidential-level reporting system is introduced starting in year three of execution.</li> </ul>	<ul style="list-style-type: none"> <li>Reports from SECEP and other institutions.</li> <li>Reports from SECEP and other institutions</li> <li>Presidential reports.</li> </ul>	<ul style="list-style-type: none"> <li>Government institutions coordinate information systems with SECEP and keep their data current.</li> </ul>
<b>Activities:</b>	<b>Budget:</b>		
<b>3.1 Hiring consulting firms</b>	US\$350,000		<ul style="list-style-type: none"> <li>Qualified consulting firms are identified and duly adhere to their terms of reference.</li> </ul>
<b>3.2 Equipment and outfitting</b>	US\$514,500		<ul style="list-style-type: none"> <li>Equipment is available in the country.</li> </ul>