

Table 1. Nicaragua: Quantitative Performance Criteria for 2002–03 PRGF-Supported Program (Performed)

	Cumulative Flows from January 1, 2002											
	Sep. 30, 2002			Prog. 1/	Dec. 31, 2002			Mar. 31, 2003				
	Prog. 1/	Actual	Base Adjustment		Adj. Prog. 2/	Actual	Margin (+), Deviation (-)	Prog. 1/	Adj. Prog. 2/	Actual	Margin (+), Deviation (-)	
(In millions of cordobas)												
Net domestic financing of the combined public sector (ceilings) 3/	1,005	881	-124	704	739	520	219	188	441	467	-26	
Savings of the combined public sector (floors)	-1,246	-1,224	22	-1,533	-1,511	-1,449	62	-1,641	-1,619	-1,526	94	
Net domestic assets of the central bank (ceilings) 3/	-43	-41	2	325	327	-555	882	92	95	-623	718	
(In millions of U.S. dollars)												
Net international reserves of the central bank (floors)	-13	-13	0	-13	-13	49	62	-3	-3	41	44	
Net repayment of the domestic debt of the central bank (+) (floors) 3/ 4/ 5/	23	23	0	33	-31	33	64	39	-11	18	29	
Disbursements of nonconcessional external debt contracted or guaranteed by the public sector (ceilings) 6/	0	0	0	0	0	0	0	0	0	0	0	
Stock of external payments arrears (ceilings) 6/	0	0	0	0	0	0	0	0	0	0	0	
(In millions of cordobas)												
Memorandum items:												
Indicative targets												
Tax revenue of the central government (floors)	6,007	6,001	-6	8,063	8,057	8,138	81	10,377	10,371	10,520	149	
Total primary expenditure of the central government (ceilings)	7,105	7,231	126	10,098	10,224	10,240	-16	12,420	12,546	12,553	-7	
Deficit of the combined public sector, before grants (ceilings)	-4,403	-4,406	-3	-6,052	-6,055	-6,004	52	-7,120	-7,123	-6,974	149	
Net domestic financing of the non-financial public sector (ceilings) 7/	-869	-1,005	-136	-1,144	-1,121	-1,338	217	-2,208	-1,966	-1,929	-38	

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

1/ As stated in EBS/02/94 (11/20/2002).

2/ Adjusted to incorporate actual data for January–September 2002.

3/ Performance criteria for end-December 2002 and end-March 2003 were adjusted for lower disbursements of balance of payments support than programmed and for lower privatization receipts.

4/ Performance criteria for end-December 2002 and end-March 2003 were adjusted downwards by the excess of NIR accumulation compared with the target and upward by lower repayment of central government domestic debt.

5/ Includes dollar-denominated and dollar-indexed debt.

6/ Measured on a continuous basis.

7/ On a cash basis.

Table 1a. Nicaragua: Quantitative Performance Criteria for 2003 PRGF-Supported Program

	Cumulative Flows from January 1, 2002					December 31, 2003 Indicative
	September 30, 2002	June 30, 2003		September 30, 2003		
	Program 1/ (In millions of cordobas)	Prog. 1/ (In millions of U.S. dollars)	Rev. Prog.	Prog. 1/ (In millions of U.S. dollars)	Rev. Prog.	
Net domestic financing of the combined public sector (ceilings)	1,005	435	17	-206	-227	-535
Savings of the combined public sector (floors)	-1,246	-1,664	-1,433	-1,787	-1,651	-1,760
Net domestic assets of the central bank (ceilings)	-43	-176	-762	-395	-806	-126
Net international reserves of the central bank (floors)	-13	6	44	17	46	34
Net repayment of the domestic debt of the central bank (+) (floors) 2/	23	56	38	74	84	118
Disbursements of nonconcessional external debt contracted 3/ or guaranteed by the public sector (ceilings)	0	0	0	0	0	0
Stock of external payments arrears (ceilings) 3/	0	0	0	0	0	0
Memorandum items:						
Indicative targets						
Tax revenue of the central government (floors)	6,007	12,674	12,950	15,198	15,724	18,339
Total primary expenditure of the central government (ceilings)	7,105	14,986	15,209	17,648	18,105	21,195
Deficit of the combined public sector, before grants (ceilings)	-4,403	-8,413	-8,160	-9,859	-9,856	-11,389
Net domestic financing of the nonfinancial public sector (ceilings) 4/	-869	-2,624	-2,941	-3,356	-3,478	-3,703

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

1/ As stated in EBS/02/94 (11/20/2002).

2/ Includes dollar-denominated and dollar-indexed debt.

3/ Measured on a continuous basis.

4/ On a cash basis.

Table 2. Nicaragua: Prior Actions, Structural Performance Criteria, and Benchmarks 1/

Measures	Program		Revised Program
	Expected Date of Implementation Through 2 nd Review	Status of Implementation	Expected Date of Implementation
<p>I. Prior Actions for Completion of First and Second Reviews</p> <p>1. Approval by the national assembly of a tax reform with an estimated net yield of at least C\$700 million (1.7 percent of GDP) on an annual basis and C\$500 million in 2003 (1.2 percent of annual GDP), and consistent with a combined public sector deficit no higher than 6.3 percent of GDP. The reform should include the elimination of the list of zero-rated VAT products, except for exports, a minimum corporate income tax of 1 percent of assets value, and the taxation of interest income, as described in Paragraph 5 of the Supplementary Memorandum of Economic and Financial Policies (SMEFP).</p> <p>2. Approval of the implementing tax reform regulations, limiting to eight the number of VAT exempted basic goods (rice, chicken, sugar, eggs, milk, cooking oil, coffee, and soap) for which raw, intermediate, and other materials physically incorporated into the products are also VAT-exempt; and enabling the collection of a minimum income tax for corporations and sole proprietors via withholding of 1 percent of asset value (0.6 percent of deposits for banks) to begin in July 2003 (see Paragraph 5 of the SMEFP).</p>		Done	End-April 2003
		Done	Mid-May 2003
<p>II. Performance Criteria</p> <p>1. Confirmation by the authorities of compliance by all banks with existing capital adequacy requirements.</p>	End-December 2002	Observed	
<p>2. Asset Recovery Plan (see Paragraph 9 of the SMEFP)</p> <p>(i) Signature of a contract with an international firm to implement asset recoveries.</p>	End-December 2002	Observed	
<p>(ii) End of the asset recovery process.</p>	End-June 2003		End-June 2003
<p>(iii) Conclude implementation of asset recovery plan for assets received from intervened banks.</p>	End-September 2003		End-September 2003
<p>3. Approval by the national assembly of a 2003 budget for the central government which, with the projected yield of the 2003 tax package, is consistent with a combined public sector deficit (after grants) target equal or less than 6.3 of GDP.</p>	End-December 2002	Not observed, but in February 2003 an amended budget in line with the program was approved (see Paragraph 3 of the SMEFP).	

Table 2. Nicaragua: Prior Actions, Structural Performance Criteria, and Benchmarks 1/ (Continued)

Measures	Program		Revised Program
	Expected Date of Implementation Through 2 nd Review	Status of Implementation	Expected Date of Implementation
III. Benchmarks			
1. Submission to the national assembly of the law on domestic and external indebtedness of the public sector.	End-December 2002	Observed	
2. Submission to the national assembly of an appropriate 2003 tax reform package , in line with Paragraph 17 of the MEFP, yielding 1.0 percent of GDP on an annual basis.	End-March 2003	Modified and converted to a prior action for completion of the 1 st and 2 nd reviews. See I.1 above.	
3. Approval of prudential norms to limit risks derived from maturity mismatches between assets and liabilities.	End-March 2003	Postponed to receive TA.	End-September 2003
4. Publication and official adoption by the central bank of revised national accounts of (see Paragraph 14 of the SMEFP)			
(i) actual figures for 1994–2000; and	End-March 2003	Adopted in March and published in mid-May.	
(ii) preliminary estimates for 2001 and 2002.			End-June 2003
5. Approval by the national assembly of an appropriate 2003 tax reform package , in line with Paragraph 17 of the MEFP, yielding 1.0 percent of GDP on an annual basis.	End-June 2003	Modified and converted to a prior action for completion of the 1 st and 2 nd reviews. See I.1 above.	
6. Strengthen tax administration through (see Paragraph 6 of the SMEFP):			
(i) the adoption by the DGA (customs) and DGI (internal tax administration) of action plans for the period 2003–05; and	End-June 2003		End-September 2003
(ii) progress in the implementation of the action plans. 2/	End-December 2003		End-December 2003
7. Start implementing a plan for regular on-site bank inspections , in line with recommendations of MAE 2001 mission.	End-June 2003		End-June 2003

Table 2. Nicaragua: Prior Actions, Structural Performance Criteria, and Benchmarks 1/ (Concluded)

Measures	Program		Revised Program
	Expected Date of Implementation Through 2 nd Review	Status of Implementation	Expected Date of Implementation
<p>8. Commission on the quality of public spending to advise the government on how to improve the effectiveness of public spending to generate growth and reduce poverty (see Paragraph 8 of the SMEFP).</p> <p>(i) Agree on terms of reference and establish the Commission.</p> <p>(ii) Present the findings and recommendations for 2004 budget and beyond.</p>			<p>Mid-June 2003</p> <p>Mid-September 2003</p>
<p>9. Submission to the national assembly of legal amendments in line with Basel Core Principles for effective bank supervision and for changes in FOGADE.</p>	End-September 2003	Changes in enabling legislation for FOGADE was added.	End-September 2003
<p>10. Divest the remaining government stake in ENITEL.</p>	End-September 2003		End-September 2003
<p>11. Judicial reform (see Paragraph 12 of the SMEFP)</p> <p>(i) Complete and make public authorities' proposal.</p> <p>(ii) Launch national consultation process.</p>			<p>End-September 2003</p> <p>End-December 2003</p>

1/ The specific requirements for the implementation of these measures are specified in the TMU attached to the LOI from the authorities dated November 19, 2002, and in the Supplementary TMU attached to this LOI.

2/ Specific measures will be determined at the time of the adoption of the plans.