

Table 1. Structural Adjustment Policies

Policy Measure	Program Schedule	Implementation Status
1. Macroeconomic policies		
<i>a. Tax administration</i>		
Restructuring of the revenue and customs departments:		
- A law on transformation of the revenue and customs departments approved	November 1999	
- Start implementation of performance indicators for collection, as recommended by the IDB.	January 2000	
<i>b. Trade and investment policy</i>		
Eliminate discretionality in granting zero customs duty for corn and sorghum imports introduced in revisions of the tax law No. 257	May 1999	Done
Reduce maximum tariff to:		
15 percent	January 1999	Done
10 percent	July 1999	Done
Submit to the National Assembly a revised law on foreign investment	September 1999	
Approval of the law on foreign investment.	January 2000	
2. Structural Reforms		
<i>a. Public sector reform</i>		
Continue to implement a labor mobility program aiming at reducing public sector positions (excluding reductions resulting from privatization of public enterprises).	700 positions to June; 1,200 positions to December 1999	About 740 positions reduced in January-June.
Issue a decree formalizing the National System of Public Investment (SNIP) for evaluating, clearing, and monitoring implementation of investment projects.	January 2000	
Implement the law on organization and functions of the Executive:		
- In six months from issue of the regulation (November 1998) eliminate three ministries, three autonomous government entities and 144 positions (net) of officials at director or higher levels.	June 1999	Done
- Continue to restructure the ministries in line with revised organization and functions established in the law.	1999-01	
<i>b. Privatization and public sector tariffs</i>		
ENITEL:		
- Announce a program to reduce the enterprise's operating expenditure by at least 20 percent and start implementation	June 1999	Done
- Start negotiation to transfer ENITEL's debt to CABEL to the government	August 1999	Done
- Approve tariff adjustment along the lines recommended by the World Bank and the investment bank.	August 1999	Done
- Invite final bids of potential investors for 40 percent of ENITEL assets.	January 2000	
ENACAL:		
Continue adjusting water and sewerage tariffs by 1.5 percent a month.	June 1998-00	Ongoing

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ENEL:		
Issue a decree to divide ENEL into generation, transmission and distribution units as a preparatory step to divestment.	April 1999	Done
Issue regulation on setting tariffs for electricity generation and distribution by the ENEL units to be privatized	October 1999	
Offer ENEL's generation and distribution units for sale or long-term lease to the private sector	December 1999	
Announce tariff adjustment to fully recover long-term marginal cost in accordance with the tariff adjustment plan agreed with the IDB	January 2000	
Divest 75 percent of ENABAS's assets, compared to value of end-1997 through sale or long-term leases to the private sector.	December 1999	
Offer concession for private sector management of water and sewerage		
- two subsystems (Matagalpa and Jinotega)	October 1999	
- two subsystems (Leon and Chinandega)	October 2000	
Privatize at least three of the construction enterprises under the ministry of transportation	December 1999	
Complete a study on reorganization of port services	September 1999	
Transform the state port authority (ENAP) into a regulatory agency and set a regulatory framework for divesting port operations	December 1999	
Issue terms of reference and offer to sell or conclude a long-term lease for port corporation(s)	March 2000	
Transfer the state oil distribution company (PETRONIC) to the private sector under a long-term lease.	June 1999	Done
c. Social security reform		
Separate the pension insurance from health insurance accounts of the social security system	April 1999	Done
Submit to the National Assembly a draft social security reform law with revised parameters to reduce losses of the current system and introduce a new system of individually funded accounts managed by private sector	August 1999	
The social security reform law approved by the National Assembly	December 1999	
Implement the revised parameters (the retirement age, minimum duration of contribution, level of contribution)	January 2000	
Start to introduce the new pension system based on individually funded accounts.	September 2000	
d. Governance		
Include all extrabudgetary revenues and expenditures into the budget (sinceramiento)	May 1999	Done
Ensure that all domestic receipts (revenue and transfers) of the public sector entities are recorded at the treasury (cuenta única)	July 1999	Done
Achieve full coverage of domestic revenues and transfers in the financial control system (SIGFA)	September 1999	
Ensure transparency and accountability in public sector procurement of goods and services and in awarding public works:		
- Submit revisions to the draft procurement law in line with recommendations of the World Bank, IDB, and IMF to the National Assembly	August 1999	Done
- Approval of the law	September 1999	

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stricken areas by improving quality and relevance of primary education through improved teaching and reformed curricula. Completion rate in rural areas, by end- year	2000	74 percent	
	2001	75 percent	
Improve quality of teaching through teacher training and performance based incentives. Percentage of teachers in autonomous schools receiving performance based incentives, by end-year	1999	25 percent	
	2000	80 percent	
	2001	88 percent	
Complete the reform of curricula for primary and secondary schools. Coverage with reformed curricula, by end-year	Primary schools:		
	1999	100 percent	
	Secondary schools:		
	2000	6 percent	
Transfer management and control of budget execution to local school councils. Coverage of primary school students in schools with autonomy, by year-end.	2001	50 percent	
	1999	65 percent	
	2000	90 percent	
c. Water and sanitation			
Continue to improve and expand water systems and services in urban areas and accelerate the expansion of water services in dispersed rural communities.	1999-01		
Improve access of rural population potable water; coverage by end-year	1999	36 percent	
	2000	39 percent	
	2001	42 percent	
Improve access of urban population to sewerage; coverage by end-year	1999	34 percent	
	2000	36 percent	
	2001	38 percent	
4. Rural sector policy			
Promote integration of small farmers into main stream economy by removing impediments to participation in land and credit markets:	1999-01		
Reform legal norms on financial guarantees to permit use of movable property (equipment, livestock, etc.) as collateral:			
- Submit the law to the National Assembly	October 1999		
- The law approved	January 2000		
Establish and start operations of six regional cadastres			Done
	- two (Masaya, Granada)	1998	
	- two (Esteli, Jinotega)	1999	
- two (Jinotepe, Chinandega)	by June 2000		
Modernize and expand activity of the Institute of Agricultural Technology to help increase agricultural yields and improve human capital.			
Coverage with public/private extension services, number of farm households by end-year	1999	160,000	
	2000	185,000	
Develop an appropriate legal framework and enforcement capacity to arrest environmental degradation	1999-01		
	- Submit to National Assembly new mining law	September 1999	
	- Have the mining law approved and issue regulation	December 1999	
	- Submit to National Assembly new forestry and fisheries laws	January 2000	
	- Have the forestry and fisheries laws approved and issue regulations	July 2000	

Table 2. Nicaragua: Technical Assistance Programs and Requirements

Subject	Objectives and Comments	Provider	Timing 1/
1. Macroeconomic policy			
a. Public finances	Comprehensive public sector reform, including privatization of state enterprises, decentralization of government agencies, and implementation of an integrated financial management system in national and local government agencies.	IDA/IDB/ USAID/ UNDP	1997-01
	Strengthen customs administration and the national tax administration authorities.	IMF/IDB/ USAID	1997-01
	Improve efficiency of government current and capital expenditures and financing policies including broadening municipal government financing sources.	IDB/USAID	1997-01
	Strengthen public investment programs and develop a system to monitor their performance.	IDA/IDB/ UNDP	1997-01
b. Financial system	Strengthen the autonomy of the central bank and improve its technical capacity for economic and financial programming and policy implementation.	IMF/IDB	1997-01
	Reform of state banks through privatization, closing, or downsizing of portfolios.	IMF/IDB/ IDA/IFC	1997-01
	Strengthen the independence of the superintendency of banks and improve its technical capacity to monitor and enforce the prudential norms.	IDB/IDA	1997-01
	Develop innovative or nonconventional credit programs to reach small scale producers; increase funding available for rural financial services.	IDB/IDA bilateral donors	1997-01
	Establish the legal and institutional framework for secured lending, including housing finance.	IDB	1999-01
c. Statistics	Adopt United Nations national accounting methodology; automate data processing and disseminate reports through the World-Wide-Web.	IDB/IMF/ USAID	1996-99

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Subject	Objectives and Comments	Provider	Timing 1/
	Electronic automation and dissemination of public finance statistics including current and capital expenditures and revenues for national government as well as for public enterprises and the social security system.	IMF/IDA	1997-99
	Improve balance of payments statistics: including recording of services items, workers' remittances, and private capital flows; incorporate exports of free trade zones into overall export statistics.	IMF	1997-01
	Domestic price statistics: broaden coverage of the CPI to cities outside Managua; create wholesale price index.	IMF (to be requested)	00-01
2. Social policy	Improve water sanitation.	IDB/IDA	1996-01
	Improve targeting of social emergency investment fund and other social programs.	IDB/IDA	1997-01
	Improve nutrition program.	IDA	1997-01
	Expand coverage of primary health and education.	IDA/IDB	1997-01
	Develop and implement comprehensive health reform program.	IDA/IDB	1998-01
	Conduct second survey on living standard measurement with rural module.	IDA	1998-99
	Protect biodiversity and clarify indigenous property rights.	IDA/GEF	1998-00
3. Structural/Private sector	Help develop small private sector enterprises.	IDB/GTZ	1996-99
	Help privatization of telecommunications and develop a plan to attract foreign investment.	IDA/IFC/IDB	1996-00
	Support promotion of foreign investment.	FIAS	1998-01

1/ Technical assistance programs implemented or started in 1997 constitute a part of the authorities' 1997-00 program.

Table 3. Nicaragua: Demographic and Social Indicators

	Latest single year			Same region/income group	
	1970-75	1980-85	1992-97	Latin America & Caribbean	Low- Income
Population					
Total population, mid-year (in millions of inhabitants)	2.5	3.4	4.7	493.9	2,035.6
Growth rate (% annual average)	3.3	3.1	2.4	1.4	1.7
Urban population (% of population)	50.3	56.4	63.1	74.2	28.4
Total fertility rate (births per woman)	6.8	6.2	3.9	2.7	4.0
Poverty					
<i>(% of population)</i>					
National headcount index	..	..	50.3	..	..
Urban headcount index	..	..	31.9	..	..
Rural headcount index	..	..	76.1	..	..
Income					
GNP per capita (in U.S. dollars)	610	740	410	3,940	350
Consumer price index (1995=100)	0	0	112	123	122
Income/consumption distribution					
Gini index	..	..	50.3	..	..
Lowest quintile (% of income or consumption)	3.0	..	4.2	..	..
Highest quintile (% of income or consumption)	65.0	..	55.2	..	..
Social indicators					
Public expenditure					
Health (% of GDP)	..	..	5.3	2.8	1.0
Education (% of GNP)	2.4	6.8	3.7	3.7	..
Social security and welfare (% of GDP)	2.6	..	4.7	7.4	..
Net primary school enrollment rate					
<i>(% of age group)</i>					
Total	65	73	78	91	..
Male	..	71	77	..	..
Female	..	75	79	..	..
Access to safe water					
<i>(% of population)</i>					
Total	56	50	62	75	69
Urban	100	77	93	83	80
Rural	14	13	28	36	66
Immunization rate					
<i>(% under 12 months)</i>					
Measles	..	49	94	93	74
DPT	..	35	94	82	76
Child malnutrition (% under 5 years)	..	10	12	8	..
Life expectancy at birth					
<i>(years)</i>					
Total	55	59	68	70	59
Male	54	57	66	66	58
Female	57	63	71	73	60
Mortality					
Infant (per thousand live births)	98	80	43	32	82
Under 5 (per thousand live births)	168	143	57	41	118
Adult (15-59)					
Male (per 1,000 population)	348	277	202	189	274
Female (per 1,000 population)	283	189	126	116	255

Source: 1999 World Development Indicators CD-ROM, World Bank.

Table 4. Nicaragua: External Financing Requirements and Sources, 1994-01

	1994	1995	1996	1997	Prel. 1998	Proj.		
						1999	2000	2001
Current Account	-943	-681	-615	-614	-699	-781	-796	-793
Exports of goods and nonfactor services	476	673	854	928	830	842	929	1,030
Imports of goods and nonfactor services	-952	-1,115	-1,297	-1,471	-1,517	-1,678	-1,824	-1,949
Noninterest current account (excluding official transfers)	-404	-345	-326	-403	-496	-599	-602	-592
Scheduled interest	-538	-336	-289	-211	-203	-181	-194	-201
Capital account	-888	-412	-343	123	81	116	192	189
Scheduled amortization	-1,020	-559	-426	-214	-129	-149	-130	-139
Other capital (including private and short-term)	133	147	83	337	210	265	322	328
Increase in net official reserves	-69	63	2	-58	6	-120	-46	-25
Changes in arrears	1,273	-1,109	-3,202	-177	24	-2,063	0	0
External financing requirements	626	2,140	4,158	725	589	2,847	650	630
Disbursements	583	418	425	368	454	614	472	430
Grants	245	177	247	192	189	310	227	221
Loans	338	241	178	176	264	305	245	209
IDA	53	19	59	44	105	135	91	90
Multilateral development banks	187	116	71	71	107	106	126	93
Bilateral creditors	98	106	48	61	53	63	28	26
Debt rescheduling	43	1,722	3,733	357	135	98	105	23
Residual financing gap	0	0	0	0	0	2,135	74	177

Sources: Nicaraguan authorities; and Fund staff estimates and projections.

Table 5. Nicaragua: Debt Service Payments on Public and Publicly Guaranteed External Debt, 1998-18

	Prel.	Projected										Average	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	1999-08	2009-18
(In millions of U.S. dollars)													
Interest	202	135	136	128	123	112	106	101	95	89	89	111	61
Multilateral	49	52	50	48	47	45	43	42	40	38	43	45	36
IDB	20	19	19	18	18	17	16	17	17	16	15	17	9
IBRD/IDA	5	5	4	4	4	4	4	3	3	3	3	4	3
IMF	0	0	0	0	0	0	0	0	0	0	0	0	0
Others	23	27	27	26	25	24	23	22	20	18	24	24	24
Official bilateral	150	81	84	80	76	66	62	58	54	51	46	66	24
Paris Club	60	60	66	64	63	60	57	53	50	47	43	56	21
Post-cutoff date	5	6	5	5	5	5	4	4	4	4	4	5	2
<i>Of which:</i>													
ODA	5	5	5	5	5	5	4	4	4	4	4	4	2
Pre-cutoff date	55	55	61	59	58	55	52	49	46	43	39	52	18
NPRD	2	2	2	2	1	1	1	1	1	1	1	1	0
<i>Of which:</i>													
ODA	2	2	2	2	1	1	1	1	1	1	1	1	0
PRD-London	22	22	23	22	22	21	21	20	19	19	18	21	8
<i>Of which:</i>													
ODA	1	1	1	1	1	1	1	1	1	1	1	1	1
PRD-Naples 1/	30	30	36	36	35	33	30	28	26	23	21	30	10
<i>Of which:</i>													
ODA	0	0	0	0	0	0	0	0	0	0	0	0	0
Other official bilateral	90	21	18	15	13	7	6	5	4	4	4	10	3
Post-cutoff date	8	8	7	6	6	5	4	4	3	3	2	5	1
Pre-cutoff date	82	12	11	9	7	2	1	1	1	2	1	5	3
Commercial	3	2	2	1	0	0	0	0	0	0	0	1	0
Post-cutoff date	3	2	2	1	0	0	0	0	0	0	0	1	0
Pre-cutoff date	0	0	0	0	0	0	0	0	0	0	0	0	0
Debt service on new borrowing 2/	0	6	10	13	20	26	52	66	83	102	122	50	183
Principal	0	1	1	1	1	1	23	31	42	57	70	23	94
Interest	0	5	9	12	19	25	30	35	40	46	52	27	88

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	Prel.	Projected										Average	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	1999-08	2009-18
(In millions of U.S. dollars)													
Debt service on reschedulings 3/	1	61	49	66	157	153	105	103	99	59	62	91	82
Principal	0	20	0	6	90	90	45	46	44	4	7	35	34
Interest	1	41	48	61	68	63	60	58	55	55	54	56	48
Memorandum items:													
Total debt service	332	333	329	346	524	440	415	429	440	426	426	411	451
In percent of exports of goods and nonfactor services	40	40	35	34	46	35	30	29	27	24	22	32	15
Debt service, after rescheduling	269	163	150	241	382	387	377	391	403	386	382	326	415
In percent of exports of goods and nonfactor services	32	19	16	23	34	31	27	26	25	22	20	24	13
Debt stock, after rescheduling	5,948	4,920	5,219	5,238	5,391	5,546	5,654	5,754	5,907	6,062	6,251	5,594	7,624
In percent of exports of goods and nonfactor services	716	585	562	509	475	444	412	382	360	339	320	439	247
NPV of debt, after rescheduling	5,238	3,921	4,147	4,137	4,213	4,258	4,290	4,311	4,347	4,404	4,481	4,251	5,174
In percent of exports of goods and nonfactor services	631	466	446	402	371	341	312	286	265	246	230	337	169
In percent of fiscal revenue 4/	993	648	597	526	478	440	408	379	355	334	315	448	247
GDP	2,123	2,304	2,510	2,722	2,913	3,132	3,387	3,662	3,947	4,253	4,584	3,342	6,941
Exports of goods and nonfactor services	830	842	929	1,030	1,136	1,249	1,373	1,505	1,642	1,789	1,951	1,345	3,201

1/ Including Russia.

2/ Debt disbursed after 1998.

3/ Including the 1998 Paris Club rescheduling, and assuming a flow rescheduling by non-Paris Club bilateral creditors on comparable terms. Assumes also a buyback of eligible commercial debt in 1999, on the same terms as the 1995 buyback operation, and a stock-of-debt operation on Naples terms in March 2001.

4/ Value at the end-1998 exchange rate.