Table 1. Nicaragua: Ceiling on the Net Domestic Financing of the Nonfinancial Public Sector 1/2/

(In millions of cordobas)

Period	Limits
December 31, 1996–December 1997	45
December 31, 1997–March 31, 1998	-365
December 31, 1997–June 30, 1998 3/	-1,000
December 31, 1997–September 31, 1998	-1,850
December 31, 1997–December 31,1998	-2,050

1/ The net domestic financing of the nonfinancial public sector is defined as the change from their respective stock at end of the previous year of the (i) outstanding stock of indebtedness of the nonfinancial public sector to the domestic banking system (central bank and commercial banks including the FNI) net of deposits (including arrears that correspond to obligations considered eligible for refinancing or rescheduling, or other debt-reduction mechanism) with the foreign currency part of the net debt to the banking system converted into cordobas at C$9.5 per U.S. dollar in 1997 and at C$10.4 per U.S. dollar in 1998; (ii) outstanding stock of domestic public debt (excluding compensation bonds) held by the private sector; (iii) outstanding stock of supplier credits; and (iv) outstanding stock of floating debt. In addition, the net domestic financing includes the net financial support provided by the government to commercial banks to finance the losses resulting from the negative net worth of BANADES branches that are sold.

2/ These ceilings will be adjusted: (i) downward by the proceeds from privatization of ENITEL except those used for debt-reduction operations; to finance the reform of the social security system; or finance the additional social expenditure, with respect to that in the program approved by the Fund and IBRD, that will be financed with resources from the privatization of ENITEL up to a maximum equivalent to US$20 million a year and a total equivalent to US$50 million over the entire ESAF period; (iii) downward (unlimited)/upward (by a maximum equivalent to US$30 million over 1997–98) in the event of higher (lower) disbursement of balance of payments support resources with respect to the equivalent to US$84.3 million in 1997, US$120.4 up to the first quarter of 1998, US$172.9 million up to the first half of 1998, US$264.9 million up to the first three quarters of 1998, and US$272.3 million in 1997-1998. In addition, in December 1997 the ceiling will be adjusted upward by up to US$45.5 million in the event that the IDB does not disburse the public administration reform and/or the public enterprise loans.

3/ Performance criteria.

Table 2. Nicaragua: Floors on Savings of the Combined Public Sector 1/ 2/

(In millions of cordobas)

Period	Limits
December 31, 1996–December 1997	485
December 31, 1997–March 31, 1998	75
December 31, 1997–June 30, 1998, 3/	285
December 31, 1997–September 31, 1998	610
December 31, 1997–December 31,1998	940

1/ Defined as the difference between current revenue and current expenditure of the nonfinancial public sector plus the operational balance of the central bank.

2/ These floors will be adjusted downward by the additional social expenditure, with respect to that in the program, approved by the Fund and the IBRD and financed by concessional proceeds obtained from the Consultative Group and Support Group or from the privatization of ENITEL up to a maximum of US$20 million a year and a total of US$50 million over the entire ESAF period.

3/ Performance criteria.

Table 3. Floors for Cumulative Flows of Net International Reserves of the Central Bank 1/2/

(In millions of U.S. dollars)

Period	Cumulative Flow
December 31, 1996–December 31, 1997	53
December 31, 1996–March 31, 1998	73
December 31, 1996–June 30, 1998 3/	99
December 31, 1996–September 30, 1998	149
December 31, 1996–December 31, 1998	155

1/ Net international reserves are defined as the difference between the (i) foreign assets of the central bank; and (ii) central bank's reserve liabilities (including outstanding purchases from the IMF) plus arrears on foreign debt service, stock adjustments resulting from the CABEI agreement (US$152.4 as of December 1997), the outstanding debt to Lehman Brothers resulting from an issue of CENIs in 1997 (US$75.5 million as of December 1997), and foreign currency deposits of commercial banks at the central bank.

2/ These floors will be adjusted: (i) upward (unlimited)/downward (by a maximum of US$30 million over 1997–98) by the increase/decrease in the stock of CENIs with respect to the net issue of CENIs of: the equivalent of US$210.7 million in 1997; cummulative flows from end-1996 of US$207.2 million up to the first quarter of 1998, US$$181.5 million up to the first half of 1998, US$161.7 million up to the first three quarters of 1998, and US$151.5 million in 1997–98; (ii) upward (unlimited)/downward (by a maximum of US$30 million over 1997–98) in the event of higher (lower) disbursements of balance of payments support resources with respect to US$109.3 million in 1997, cummulative flows from end-1996 of US$145.4 up to the first quarter of 1998, US$207.9 million up to the first half of 1998, US$299.9 million up to the first three quarters of 1998, and US$307.3 million in 1997–98; and (iii) upward (unlimited) by the proceeds from the privatization of ENITEL except those used for debt-reduction operations and to finance the reform of the social security system or finance social expenditure (see Tables 1 and 2). In addition, the December 1997 target will be adjusted downward by up to US$45.5 million in the event that the IDB does not disburse the public administration reform and/or the public enterprise loans.

3/ Performance criteria.

Table 4. Nicaragua: Ceilings on the Cumulative change in the Net Domestic Assets of the Central Bank 1/2/

(In millions of cordobas)

Period	Limits
December 31, 1996–December 31, 1997	-403
December 31, 1996–March 31, 1998	-635
December 31, 1996–June 30,1998 3/	-955
December 31, 1996–September 31, 1998	-1,445
December 31, 1996–December 31, 1998	-1,300

1/ The change in the net domestic assets of the central bank (NDA) is defined as the difference between the change in the stock of currency issue, and in the net international reserves (as defined in footnote 1 of Table 3) valued at C$9.5 per U.S. dollar.

2/ Corresponding offsetting adjustments will be made to the ceilings to the net domestic assets of the central bank for the adjustments in net international reserves spelled out in the footnotes in Table 3.

3/ Performance criteria.

Table 5. Nicaragua: Ceilings on Cumulative Disbursements of Nonconcessional External Loans Contracted or Guaranteed by the Public Sector 1/2/

(In millions of U.S. dollars)

Period	Limits
More than one year maturity	
December 31, 1996–December 31, 1997	77
December 31, 1996–March 31, 1998	80
December 31, 1996–June 30,1998 3/	100
December 31, 1996–September 31, 1998	102
December 31, 1996–December 31, 1998	130
One year or less maturity 4/	
December 31, 1996–December 31, 1997	22
December 31, 1996–March 31, 1998	37
December 31, 1996–June 30,1998 3/	37
December 31, 1996–September 31, 1998	37
December 31, 1996–December 31, 1998	37

1/ These ceilings refers to loans contracted or guaranteed by the public sector, with maturity of more than one year and grant element of less than 35 percent calculated on the basis of currency specific Commercial Interest Reference Rate (CIRR) as discount rates. These limits exclude reserve liabilities of the central bank and the capitalization of interest resulting from rescheduling or refinancing operations.

2/ These ceilings will be adjusted downward to the extend that certain credits for the Republic of China are converted to concessional.

3/ Performance criteria.

4/ Excludes normal import related credits.

Table 6. Nicaragua: Structural Benchmarks Under the Enhanced Structural Adjustment Facility

Policy Measure	Program Schedule
1. Public sector	
a. Approval by the National Assembly of the 1998 budget.	December 1997 1/
b. Present to the National Assembly a draft **law for restructuring the executive branch** consistent with the IDB's public sector reform.	December 1997 1/
c. Approval by the National Assembly of a law for restructuring the executive branch.	March 1998
d. Implement a **labor mobility program** aiming at reducing public sector positions by a minimum of:	
- 1,800 employees	Through end-December 1997 1/
- 2,550 employees	Through end-June 1998
- 3,300 employees	Through end-December 1998
These figures are cumulative from January 1997, do not include reductions resulting from the privatization of public enterprises, and are subject to revision in light of the law for restructuring the Executive Branch, that has been presented to the National Assembly for approval.	
2. Privatization	
a. Approval by the National Assembly of the **electricity law and regulations** as agreed with the IDB. This law will allow to divide ENEL's operations into transmission, generation and distribution. In addition, it would enable to divest ENEL's assets or grant concessions to the private sector for generation and distribution.	November 1997 1/
b. Approval by the National Assembly of two laws needed to reorganize the water and sewerage sector as agreed with the IDB. The laws transform INNA into a regulatory agency and create a new water and sewerage company (ENACAL).	November 1997 1/
c. Approval by the National Assembly of the two **hydrocarbons laws** to regulate commercialization and exploration of hydrocarbons.	March 1998
d. Continue adjusting **electricity rates** by 1.5 percent a month, and introduce a step increase of 5 percent in electricity rates and a permanent **thermal factor**.	October 1997 1/
e. Maintain the periodic adjustment for INAA's tariffs of 1.5 percent a month.	Throughout the ESAF arrangement 2/
f. Commission a study to establish new system of adjusting electricity rates based on long term marginal costs as agreed with the IDB.	June 1998
g. Approve the new water and sewerage tariff structure as agreed with the IDB.	March 1998
h. Approval by the National Assembly of a new **law to privatize the telecom company** (ENITEL).	June 1998 2/
i. Offer for sale of at least 40 percent of ENITEL's capital, as agreed with the IBRD.	June 1998 2/
3. Social security reform	
a. Commission a study of the social security to rationalize and strengthen the current pension system, define alternatives to ensure medium and long-term actuarial viability of the pension system, and allow private sector participation in the pension system.	June 1998

Table 6. Nicaragua: Structural Benchmarks Under the Enhanced Structural Adjustment Facility

Policy Measure	Program Schedule
3. Social security reform	
b. Separate the pension and health insurance accounts.	December 1998
4. Legal reform	
a. Present to the National Assembly of a draft law for **property rights** to facilitate the resolution of remaining property claims.	October 1997 1/
b. Approval by the National Assembly of an apppropriate **property right law**.	June 1998 2/
5. Financial system reform	
a. Unify banks' minimum reserve requirement across deposit maturities as well as currency denominations.	November 1997 1/
b. Sale of at least 80 percent of BANADES's assets.	November 1997 1/
c. Superintendency of banks will withdraw BANADES's license to operate as a financial intermediary.	May 1998 2/
d. The government will sell BANIC's equity to the private sector, and keep the minimum participation required by law.	December 1998
e. Sell at least 49 percent of FNI's equity.	December 1998
6. Trade policy	
a. End tax incentives to promote nontraditional exports in the form of negotiable tax certificates (CBTs).	December 1997 1/
b. Reduce maximum tariff to:	
- 25 percent	January 1998
- 20 percent	July 1998

1/ Prior action to go to the Fund Board.
2/ Performance criteria.

Table 7. Nicaragua: Ceilings on the Deficit of Combined Public Sector 1/2/

(In millions of cordobas)

Period	Limits
December 31, 1996–December 1997	-1,825
December 31, 1997–March 31, 1998	-495
December 31, 1997–June 30, 1998	-1,135
December 31, 1997–September 31, 1998	-1,605
December 31, 1997–December 31,1998	-1,970

1/ These are only indicative. The balance of the combined public sector (excluding grants) in 1997–98 will be measured from above the line and is defined as the savings of the combined public sector plus capital revenue less capital expenditure (including net lending) of the nonfinancial public sector plus the operational balance of the central bank. As of 1999 the balance of the nonfinancial public sector (NFPS) will be measured by the nonfinancial public sector borrowing requirement (PSBR).

2/ These ceilings will be adjusted upward by the full amount of any additional social expenditure, with respect to that on the program, that is approved by the Fund and the IBRD, and financed by concessional proceeds obtained from the Consultative Group (and the Support Group) or from the privatization of ENITEL (up to a maximum of US$20 million a year and a total of US$50 million over the entire ESAF period).