

PROGRAM FOR MODERNIZATION OF THE REVENUE DEPARTMENT

(NI-0091)

EXECUTIVE SUMMARY

REQUESTER: Republic of Nicaragua

EXECUTING AGENCY: Ministry of Finance, acting through its Revenue Department (DGI)

AMOUNT AND SOURCE: IDB: US\$1,900,000 (FSO)
Local counterpart funding: US\$ 350,000
Total: US\$2,250,000

FINANCIAL Amortization period: 40 years
TERMS AND Disbursement period: 36 months
CONDITIONS: Interest rate: 1% for the first 10 years
2% for the next 30 years
Inspection and supervision: 1%
Credit fee: 0.50%

OBJECTIVES: The objective of the program is to ensure the sustainability of the ongoing modernization of Nicaragua's tax administration by strengthening its Revenue Department (DGI) in the areas of: (i) management controls within its administration; (ii) greater efficiency in tax audit and inspection functions; and (iii) development and implementation of a human resources training policy.

DESCRIPTION: The main activities to be carried out during execution of the program will be organized under the following components: (i) tax legislation and regulations; (ii) organizational development and human resources; (iii) management and use of information; (iv) training; (v) collection and receipts; (vi) tax auditing and inspection; (vii) taxpayer assistance; (viii) data processing and information systems; and (ix) document storage system.

ENVIRONMENTAL The Environment Committee, at its meeting of
CLASSIFICATION: September 26, 1995, classified this as a Category II operation.

BENEFITS: The proposed program is essential for consolidating the modernization process which the Government of Nicaragua has undertaken. The activities carried out under the program will enable the DGI to improve service to taxpayers and reduce the level of tax

evasion. This, in turn, will make Nicaragua's tax system more equitable by eliminating the unfair advantage of companies that evade taxes over those that meet their tax obligations.

RISKS:

Despite the efforts made and the progress achieved in recent years, the Revenue Department is an institution which is still undergoing modernization, a situation which constitutes a risk for program execution. In order to reduce this risk, training components have been included in the proposed program to improve the management and executive capacity of the DGI, and in specific areas of its administration.

**THE BANK'S
COUNTRY STRATEGY:**

Since its resumption of activities in Nicaragua, the Bank's strategy has been to concentrate on supporting efforts to stabilize and transform the economy. At the same time as taking measures to stabilize its economy, the government launched a series of structural reforms in 1991 aimed at eliminating distortions, reducing state intervention, reorganizing the financial system, and liberalizing trade.

The short-term aim of the Bank's strategy will be to support continuation of the economic transformation which is under way. The economic stability that has been achieved to date needs consolidating and must be consistent with sustained, equitable growth. The financial programs and reforms that the Bank will be supporting reflect this desire to guarantee economic stability in Nicaragua. The social programs being carried out are intended to ensure equity and attenuate the economic downturn caused by the adjustment programs. Sustained growth will be sought through programs that promote the development of production, restoration of infrastructure, upgrading of existing human resources, and efficient utilization and maintenance of the country's natural resources.

The strategy proposed is a natural continuation of that which the Bank has followed since 1990. The activities to be carried out can be divided into four categories: (a) economic growth based on exports; (b) poverty reduction and development of human capital; (c) improving certain aspects of governance; and (d) sustainable management of natural resources. The proposed program embodies this strategy, since it will improve public sector fiscal management through better tax administration and by strengthening and modernizing the DGI's institutional structure.

**EXCEPTIONS TO
BANK POLICY:**

As an exception to the Bank's policy on the procurement of goods and services, the Centro Interamericano de Administradores Tributarios [Inter-American Center for Tax Administrators] (CIAT) will be hired without competitive bidding, as a specialized agency to advise the DGI on the technical execution of the program and to select, hire, and make payments to individual consultants. The DGI will sign a service agreement with the CIAT establishing the necessary provisions to ensure that the hiring of consulting services is carried out according to the Bank's procedures. As a condition precedent to the first disbursement, the agreement between the executing agency and the CIAT must be previously approved by the Bank.

**SPECIAL
CONDITIONS
FOR EXECUTION:**

Prior to the first disbursement of the Bank's contribution, the executing agency must submit the following, to the satisfaction of the Bank:

- a. evidence that the contract between the government and the specialized agency (CIAT) has been signed;
- b. evidence that a National Coordinator for the program has been selected;
- c. evidence that the Coordination and Operations Committees have been created;
- d. the name of the professional appointed National Coordinator; the names of the technical experts who will serve as national counterparts; and the list of four officials hired to work in the areas of data processing and organization and methods.

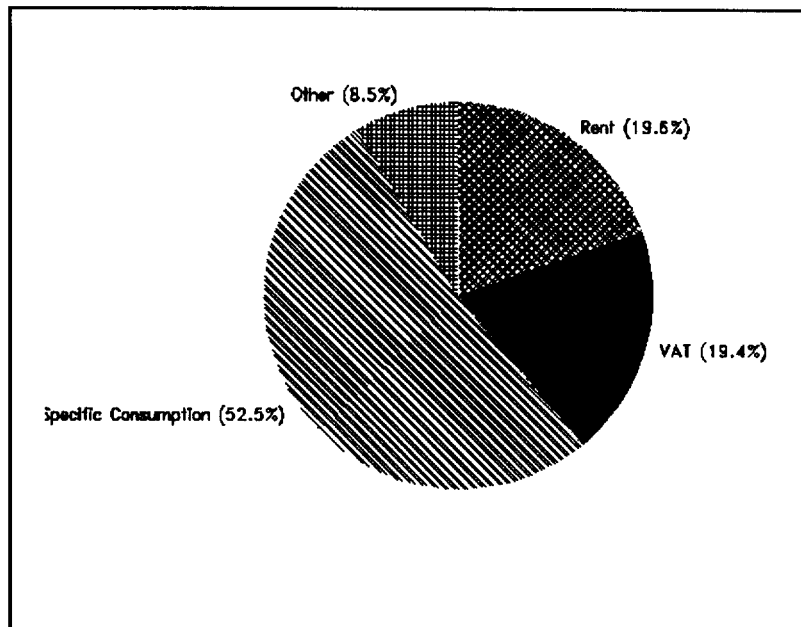
IMPACT ON POVERTY: Not applicable.

I. BACKGROUND

A. Background on the first operation to modernize the Revenue Department (DGI)

- 1.1 The need to overcome the damage done by a decade of war, institutional deterioration, and economic instability was recognized early on by the authorities assuming control of the Nicaraguan government in 1990.
- 1.2 In the economic sphere, the new administration was confronted with a steep drop in the level of activity and profound imbalances, both internally and in the nation's current account. Thus, per capita GDP (in constant 1990 dollars) had decreased 34% compared to its 1980 level, and the nonfinancial public-sector deficit in 1990 totalled 29.4% of GDP. Because the country was unable to finance this debt, the inflation rate soared to 7,500% for that year. At the same time, the current account deficit under the balance of payments rose to 18.3% of GDP in 1990. Compounding the problems caused by war and the institutional deficiencies mentioned above were difficulties resulting from the economic development strategy of the outgoing government, which had instituted excessive state intervention in both the production of goods and services and regulation of the private sector.
- 1.3 The stabilization measures taken to reverse this complex economic scenario (especially in the areas of exchange controls, monetary policy, and prices administered by the public sector) were accompanied by structural reforms of the economy, the most important of which were opening up trade, privatizing state-run industries, and tightening fiscal policy. The steps taken in the latter area in 1990 included implementation of tax reforms similar to those introduced in other countries of the region during the 1980s for the purpose of simplifying the nation's tax structure, increasing revenues, and streamlining administration of the tax system.
- 1.4 As shown in the following chart, these reforms resulted in a tax system that relies primarily on three types of levies: income tax, value-added tax (VAT), and excise taxes. The measures taken with respect to income tax were designed to broaden the tax base and reduce the rate from 50% to 30% in successive stages. In the case of the VAT, the rate was raised from 10% to 15%. The greatest amount of simplification was achieved in the area of excise taxes which were eliminated altogether for 700 items that had formerly been subject to rates of 5-150%, but that had produced little in the way of tax revenues, focusing the VAT primarily on alcoholic beverages and soft drinks, tobacco, and fuel. A system for periodic adjustment of the prices on products subject to taxation was introduced at the same time in order to avoid the erosion of tax revenues by inflation.

BREAKDOWN OF TAX REVENUES AVERAGE FOR 1991-1995



B. Modernization of the revenue department (DGI)

- 1.5 The Bank supported the effort to reform Nicaragua's tax policy through loan 885/SF-NI of 1992, which has recently been completed.
- 1.6 The objective of this program was to modernize the DGI, which is the office responsible for administering the country's tax system at the federal level. The program included activities in three areas: (i) tax legislation; (ii) tax administration; and (iii) organizational development. The principal results achieved in each of these areas are described below.

1. Tax legislation

- 1.7 As a result of the changes made in the country's tax policy, amendments had to be introduced in the specific legislation governing each of the taxes affected. Using resources provided by the program, a preliminary draft Tax Code was drawn up, designed to consolidate the various regulations, procedures, and controls for each type of tax in a single piece of legislation. This draft has been submitted to the National Assembly but has yet to be voted on.

2. Tax administration

- 1.8 Activities in this category concentrated on the development of an integrated tax information system (SIT), which includes the initial stage of the tax administration process, the registration of taxpayers, the current account, and collections. As a first step,

work was begun in the area of management controls and supervision. Following is description of the main activities carried out:

- a. Federal tax roll (RUC): The system for administration and control of the federal tax roll, including the purchase of appropriate computer equipment, was implemented.
- b. Integrated tax information system (SIT): This system was developed for administration and control of large and medium-size taxpayers. It operates in real time, monitors all of the taxes administered by the DGI, and involves computerized control of the receipt and processing of tax returns; payment and collection of taxes; updating of the overall current account; and detection of payment arrears and failure to file a return.
- c. Automation of income tax administration offices: The SIT established the basis for automation of the federal tax administration. Program resources were used to purchase the computer equipment needed for implementing the SIT and thereby automating the six most important income tax offices in the country, responsible for some 80% of tax revenues collected by the DGI: Major Taxpayers, Linda Vista, Business District, Sajonia, Granada, and León. Program resources were also provided for purchasing the equipment necessary to automate eight regional offices as well, half of which will be fully computerized by the end of 1995.

3. Organizational development

- 1.9 With support from this technical cooperation program, a new organizational structure was developed and implemented, separating regulatory and operational functions in the DGI. While this reorganization was taking place, the DGI management team was consolidated and has begun to operate in integrated fashion. And at the same time, data processing and training units were created in the DGI, both of which received substantial support under the program.
- C. Evaluation of the results achieved in the first modernization program
- 1.10 The results indicated in the foregoing section were made possible by the Nicaraguan government's commitment to the program, including its provision of counterpart resources above and beyond the amount committed. This is clear indication that the government considers modernization of its tax structure one of the mainstays of the fiscal reform program under way in the country.
 - 1.11 There are several other indications as well that demonstrate the government's determination to push forward with its modernization program, from publication in newspapers of the names of individuals

and companies that fail to meet their tax obligations to resolving the problem of inadequate physical infrastructure which has hindered the Revenue Department at both the federal and departmental levels. In addition, funds have been allocated in the DGI's budget for the hiring of 20 new staff members trained under the program, primarily experts in data processing and tax administration.

1. Institutional status of the DGI after the first program

- 1.12 The first stage of the strengthening of the Revenue Department enabled it to modernize the initial functions of the tax administration system, establishing effective control of the collection process.
- 1.13 The program also helped it to implement an organizational structure that divorces regulatory functions from operational functions. The former are carried out by the central authorities in Managua, while the latter are exercised by the 19 regional income tax offices located throughout the country.
- 1.14 The DGI has a staff of approximately 600 in all, of which around 200 are involved in taxpayer registration, tax return receipt, and actual tax collection; some 200 more are responsible for tax auditing and inspection; and the remaining 200 work in data processing, administration, training, supervision, and management.
- 1.15 Among the total number of DGI employees, 10% have university degrees, while the vast majority of the others are technical and operations staff who have completed secondary school.
- 1.16 Some 70% of the staff work in one of the 19 regional income tax offices or the Major Taxpayers Unit, and the rest work for the central office in Managua.
- 1.17 The budget allocated to the DGI in 1994 was around US\$3 million, while tax revenues that year totaled approximately US\$268 million. This represents a cost ratio of 1.2%, which is considerably lower than comparable figures for other tax administrations undergoing modernization and well below the 2% ratio that is recommended for administrations at the stage of development requiring large investment in facilities and physical remodeling.

2. Changes in tax yield following the first program

- 1.18 Table 1 shows tax proceeds (as a percentage of GDP) collected by the DGI during the period 1991-1995:

<p>Table 1 DGI COLLECTIONS (as a percentage of GDP)</p>					
	1991	1992	1993	1994	1995*
Income tax	2.8	3.3	2.4	2.2	2.8
VAT	2.2	2.3	2.9	2.9	3.1
Excise taxes:	6.3	7.4	7.0	7.7	7.6
Rum	0.7	0.7	0.5	0.5	0.5
Beer	1.2	1.1	1.0	1.0	1.0
Tobacco	1.0	1.1	0.9	0.9	0.9
Soft drinks	0.7	1.2	0.8	1.0	0.9
Fuel	2.8	3.2	3.7	4.1	4.0
Other items	0.1	0.1	0.0	0.2	0.3
Other taxes	1.8	1.1	1.0	1.1	0.9
DGI collections	13.0	14.1	13.3	14.0	14.5

* Estimates.

- 1.19 The policy reform and changes in Nicaragua's tax administration have enabled the DGI to increase its collections by 11.5% between 1991 and 1995, notwithstanding the slowdown in economic activity at the beginning of this period.
- 1.20 Despite the above-mentioned reduction in the income tax rate from 50% to 30%, 1995 income tax revenues have returned to their 1991 level. This contrasts with the case of Nicaragua's value-added tax, where the increase in proceeds stems from a rise in the rate charged. It should be noted that the low yield from the VAT (as a percentage of GDP) is due to problems with exemptions and enforcement of this tax. On the other hand, the share of the total tax burden represented by excise taxes has increased over this period, and within this group the relative amount of proceeds from fuel has risen substantially.
- 1.21 The revenues collected by the DGI represent approximately 75% of the country's total tax receipts. The remainder comes primarily from customs proceeds for a total tax burden of some 20% of GDP. Although this ratio may appear high in comparison with other countries in the region, the fact is that this is due in part to underestimation of the national accounts in Nicaragua.

D. Current macroeconomic context

- 1.22 The adjustment measures taken have enabled authorities to stabilize the economy and renew economic growth in Nicaragua. With the new exchange policy and restrictive fiscal and monetary policies in

place, inflation was only 12% in 1994. During the period 1991-1994, the overall public sector deficit was reduced to 1.25% of GDP thanks to major reforms in public administration, including drastic reductions in the number of civil servants and an increase in the tax yield. After years of economic stagnation, the GDP grew by 3.2% in 1994, based on advances in agriculture and construction. Exports grew to US\$444 million in 1994.

E. Justification of the program

- 1.23 The stabilization and structural adjustment program which the Government of Nicaragua has been carrying out since 1991 has been supported from the outset by the IDB, IMF, World Bank, and other agencies for international cooperation. In 1994, support was provided through the public enterprise reform program (IDB), the expanded structural adjustment facility (IMF), and a second loan for economic recovery (World Bank).
- 1.24 For 1995 the IDB and the World Bank are jointly preparing a loan for public administration reform, which will be a continuation of the sector programs carried out by the two banks.
- 1.25 In the area of fiscal reforms, the Bank has provided support, in addition to the program to modernize the DGI, for institutional strengthening programs in recent years, two of which are currently at the initial stage of execution: one for financial administration reform and the other for modernization of the customs administration.
- 1.26 The Bank has received a request from the Nicaraguan government for a new operation in the area of taxation, as set forth in two letters from the Ministry of Finance, the first in January and the second in July of this year, confirming interest in the program and accepting that it be financed with reimbursable FSO resources.
- 1.27 As explained below, this second program for modernization of Nicaragua's tax administration calls for intensive use of information technology in the processes which make up the country's tax system, and is divided into three major areas: management controls in administration, inspection and auditing of taxpayers, and development of the DGI's personnel policy.
- 1.28 At the request of the authorities in charge of economic affairs, the proposed operation will also include a tax legislation component. This component will be designed to provide support for initiatives that the country may choose to implement in this area, which could be based on recommendations made by a tax policy mission which Nicaragua has asked the IMF to carry out. Accordingly, the activities to be undertaken as part of this component and the operation in general are being closely coordinated with the IMF to ensure consistency.

F. The Bank's country strategy

- 1.29 Since its resumption of activities in Nicaragua, the Bank's strategy has been to concentrate on supporting efforts to stabilize and transform the economy. At the same time as taking measures to stabilize its economy, the government launched a series of structural reforms in 1991 aimed at eliminating distortions, reducing state intervention, reorganizing the financial system, and liberalizing trade.
- 1.30 The short-term strategy of the Bank will be to support continuation of the economic transformation under way. The economic stability that has been achieved to date needs consolidating and must be consistent with sustainable, equitable growth. The financial programs and reforms that the Bank will be supporting reflect this desire to guarantee economic stability in Nicaragua. The purpose of the social programs being carried out is to ensure equity and attenuate the economic downturn caused by the adjustment programs. Sustained growth will be supported through programs that promote development of production, restoration of infrastructure, upgrading of existing human resources, and efficient use and maintenance of the country's natural resources.
- 1.31 The proposed strategy is a natural continuation of the one the Bank has followed since 1990. The activities to be carried out can be divided into four categories: (a) economic growth based on exports; (b) poverty reduction and development of human capital; (c) improving certain aspects of governance; and (d) sustainable management of natural resources. The proposed program embodies this strategy, since it will contribute towards improving fiscal management through better tax administration and by strengthening and modernizing the DGI's institutional structure.

II. OBJECTIVES AND GOALS OF THE PROGRAM

A. Program objectives

- 2.1 The objective of the program is to ensure the sustainability of the ongoing modernization of Nicaragua's tax administration by strengthening its Revenue Department (DGI) in the areas of: (i) management controls within its administration; (ii) greater efficiency in tax auditing and inspection functions; and (iii) development and implementation of a human resources training policy, with emphasis on improving the DGI's management and executive capacity.

B. Program goals

- 2.2 The main goals expected to be achieved during the program execution period are as follows:

- (i) Double the DGI's tax audit and inspection capacity, enabling the department to audit 1,000 tax returns per year using the techniques developed under the program.
- (ii) Increase registration of taxpayers, enrolling approximately 1,000 economically significant individuals and corporate entities (roughly 5% of the present tax roll) over the life of the program.
- (iii) Establish evasion-reduction targets based on a system of financial and taxation indicators to be developed under the program and strengthening of inspection and auditing procedures.

III. DESCRIPTION OF THE PROGRAM

A. Program components

3.1 The principal components of the program, the activities to be carried out during the execution period, and the expected results are described below (see Annex III, "Matrix of Activities"):

1. Tax legislation and regulations

- a. Activities: Assistance will be provided for discussion of the preliminary draft Tax Code by the legislature. A proposal will be developed for systematization of Nicaragua's tax laws and various regulatory provisions in order to make them consistent with the Tax Code. Taxation policy reform initiatives being considered by the government will likewise be supported.
- b. Results: The Tax Code will be harmonized with the country's substantive tax laws and passed by the National Assembly.

2. Organizational development and human resources

- a. Activities: The effort begun during the first program to strengthen regulatory functions at the federal level and reinforce the operational functions of the income tax offices will be consolidated. Standardized procedures governing tax administration will be devised and implemented in the various income tax offices. A proposal will be drawn up for making the DGI financially and administratively autonomous.
- b. Results: Standardized procedures governing the regional offices and a proposal to give the DGI financial and administrative autonomy, will be drawn up.

A personnel policy will be implemented, covering DGI staff recruitment, development, and performance evaluation and including a proposed career path.

3. Management and use of information

- a. Activities: A system of indicators will be developed to measure (i) the level of tax evasion and the revenue potential in the various regions of the country, and (ii) the performance of the different DGI offices.
- b. Results: Systems for financial and taxation indicators will be implemented to quantify levels of evasion, forecast

collections, and evaluate the performance of the different DGI offices.

4. Training

- a. Activities: Training programs will be carried out in three areas under the DGI: (i) management controls; (ii) inspection and auditing; and (iii) taxpayer assistance.
- b. Results: Training will be provided during the program execution period for at least 50 executives, 150 officials from the inspection and auditing office at the national level, and 100 employees working in taxpayer assistance and guidance.

5. Collection and receipts

- a. Activities: A study will be conducted on the feasibility of collecting taxes through the banking system, considering the alternative of implementing collections using the SIT. An automated control system will be implemented for management of tax arrears and enforced collection, including amounts owing which are not taken into account in present individual tax statements.
- b. Results: A feasibility study on tax collection through the banking system will be completed. The management information necessary for supervision and administrative control of the collection system will be compiled.

6. Inspection and auditing

- a. Activities: Techniques and procedures will be developed for the selection, planning, and execution of tax auditing and inspection using the information systems. In addition, systems and procedures will be developed for administrative control of inspection and auditing. For control of those taxpayers who are difficult to monitor because of the type of economic activity in which they engage, support will be provided for implementing the DGI's proposed objective estimation system currently in the developmental stage, as well as for additional studies to evaluate alternative means for including such taxpayers in the taxation system.
- b. Results: Techniques and procedures for the selection, planning, and execution of tax audits and inspections will be implemented using the information systems and a management control system for overseeing these cases.

An objective estimation system will be implemented for taxpayers who work primarily in the transportation sector and those classified as small tax accounts.

7. Taxpayer assistance

- a. Activities: A study will be carried out to analyze problems and needs relating to the internal and external communications of the DGI. Taxpayer surveys will be conducted to identify difficulties in the delivery of services, legal loopholes, and problems with tax forms and the requirements imposed by the DGI, in order to provide feedback for decision-making in these areas. Based on the findings of this study, a public awareness program will be created to publicize various aspects of the tax system, including changes of a legal nature, interpretations and definitions, services which the DGI provides, and the rights and obligations of taxpayers. In order to carry out this program it will be necessary to strengthen the taxpayer assistance units of the regional tax offices.
- b. Results: (i) A national awareness program will be mounted to publicize aspects of the tax system and provide guidance for taxpayers, and (ii) taxpayer assistance units will be set up in all income tax offices.

8. Data processing and information systems

- a. Activities: The data processing infrastructure set up under the earlier program will be completed with the installation of additional hardware and a communications network linking the regional tax offices and the central office. At the same time, the information systems needed for strengthening the various DGI activities will be developed, in particular those required for tax inspections, administrative controls, statistics, and management information.
- b. Results: (i) The data processing infrastructure installed under the earlier program will be consolidated through linkage of the regional tax offices and the central office; and (ii) the information systems needed will be implemented for strengthening DGI activities, particularly in the areas of inspection, administrative controls, statistics, and management information.

9. Document storage system

- a. Activities: A pilot project for a document storage system will be carried out.
- b. Results: A pilot document storage project will be carried out to develop a system for archiving returns submitted by major taxpayers.

B. Program requirements

1. Consulting services

3.2 In order to carry out all of the planned activities an estimated total of 113 person-months of consulting services will have to be hired, both national and international consultants working on short-term and long-term contracts in the various areas of the program as specified below:

a. Long-term consulting services - 48 person-months (international):

- (i) Specialist in tax inspection - 30 months
- (ii) Specialist in data processing - 18 months

b. Short-term consulting services - 65 person-months (45 person-month of international consultants and 20 person-months of national consultants):

- (i) Tax legislation and regulations - 6 months (4 national and 2 international);
- (ii) Organizational development and human resources - 8 months (international);
- (iii) Tax/data analysis expert - 5 months (international);
- (iv) Training - 6 months (international);
- (v) Collection through the banking system - 4 months (international);
- (vi) Tax inspection and audits - 7 months (international);
- (vii) Taxpayer assistance - 6 months (2 international and 4 national);
- (viii) Data processing and information systems - 17 months (10 national and 7 international); and
- (ix) Document storage system - 6 months (4 international and 2 national).

3.3 To provide support services for financial management and program administration activities, an expert in accounting will be hired along with one administrative assistant (40 person-months).

2. Computer hardware

3.4 Using program resources, the necessary computer and communications hardware will be purchased to equip the DGI's computer center, establish the communications network between the main regional income tax offices and the central office, and provide computers for support of the inspection and taxpayer assistance units. Following is a list of the main sets of equipment required:

- (i) central computer and communications network equipment for DGI headquarters;
- (ii) communications network linking regional income tax offices;

- (iii) laptop computers for tax inspections in the field;
- (iv) work stations for the inspection and taxpayer assistance units;
- (v) security and protection equipment for computer centers; and
- (vi) equipment for the electronic storage pilot project.

3. Training

- 3.5 The training activities will be carried out through the DGI's Training Unit in cooperation with the Nicaraguan Institute for Public Administration [Instituto Nicaragüense de Administración Pública] (INAP).
- 3.6 The training plan will have to place special emphasis on tax inspection, management, and taxpayer assistance, supplementing the training programs carried out as part of the earlier program. To this end, training will be provided (see Annex IV) for 150 tax inspectors and auditors at the national level in new auditing and inspection methods and techniques, 50 officials responsible for coordination and management of the DGI, and 100 employees who will provide taxpayer assistance and guidance.
- 3.7 The resources allocated for training programs under the Bank and counterpart budgets will be used to finance the cost of preparing and executing training events, such as rental of audiovisual equipment and other necessary inputs.
- 3.8 The in-service training program will primarily target those DGI staff members who are in a position to act as agents of change in the process of strengthening the tax administration. The in-service traineeship program will include (but without being limited to) the following areas: tax inspection, data processing, collections (particularly through the banking system), and taxpayer assistance. Initial estimates call for 10 traineeships, broken down as follows: four in tax inspection, two for DGI senior management, one in collections, one in data processing, and two in taxpayer assistance.

4. Publications and information program

- 3.9 To support the taxpayer assistance and guidance programs, the program will provide funding for the publication of various taxpayer guides and public awareness materials.

C. Execution and organization of the program

- 3.10 The Ministry of Finance, through the DGI (Revenue Department), will act as the executing agency with ultimate responsibility for the program, which will be implemented over an execution period estimated at 30 months. In order to maintain continuity with the earlier program which ended on July 31, 1995, the proposed modernization program will include retroactive recognition of

expenditures incurred as of August 1, 1995, in the amount of up to US\$300,000, in accordance with the Bank's procedures.

- 3.11 Program execution will be completely integrated with the DGI. To attain this level of integration and ensure effective coordination between the work plan for the program, the DGI's schedule of activities, and the overall strategy of the ministry, two committees will be struck:

- a. Coordination Committee: This committee will be chaired by the Minister of Finance, and will be made up of the Vice-Minister of Revenue, the Director General of Revenue, and the National Coordinator of the program. The committee will meet quarterly and whenever evaluation missions are conducted by the Bank, and will be responsible for approving the work plan for the program.
- b. Operations Committee: This committee will be chaired by the Director General of Revenue, and will be made up of the Deputy Directors for each of the specific areas, the National Coordinator, and the experts and consultants from the project team. It will meet every other week and will be responsible for general coordination of the program.

- 3.12 Responsibility for day-to-day operations will be borne by the Deputy Technical Director of the DGI, who must be appointed National Coordinator of the program, as a condition precedent to the first disbursement under the program.

- 3.13 The short-term and long-term consultants will coordinate their respective activities with the Deputy Director in charge of each specific area, as well as with the National Coordinator.

D. Specialized agency (CIAT)

- 3.14 The Ministry of Finance requested the Bank's approval to hire a specialized agency, the Inter-American Center for Tax Administrators [Centro Interamericano de Administradores Tributarios] (CIAT), without competitive bidding within 30 days following signature of the loan contract with the Bank. The CIAT will be responsible for technical execution of the program in accordance with the contract signed by the Nicaraguan government and the Bank. In addition, the CIAT will be in charge of selecting, hiring, and making payments to tax experts and consultants; overseeing training programs and purchases of computer equipment; and carrying out other related administrative duties.

- 3.15 The background and technical experience of the CIAT has been described in documents submitted in support of previous technical-cooperation projects supported by the Bank. Given its long history in this field, the CIAT has the necessary capacity and can provide the multidisciplinary approach required to ensure selection of the

most technically qualified consultants available in the area of tax administration.

- 3.16 In view of its excellent performance in the execution of the earlier program, the contracting of the CIAT in the present case will ensure high technical quality and continuity in activities that were begun under that program, and that have been assigned priority by the Nicaraguan authorities.
- 3.17 The CIAT offers a further advantage compared with independent consultants or consulting firms: once the program has been completed the latter tend to lose contact with the tax administration institutions in the countries. By contrast, the continuing relationship that the CIAT maintains with the countries enables it to follow up on activities in which it has participated, both formally and through informal contacts. This puts the CIAT in a position to provide very helpful advisory services for the proposed program.
- 3.18 These considerations justify the hiring of the CIAT as a specialized agency, given the institutional weakness of the DGI and the INAP in the areas dealt with by the program, as well as the need to coordinate a large number of expert consultants while carrying out the complex activities called for under the program.

E. Local counterpart

- 3.19 The counterpart resources will be used primarily to hire new staff for the DGI through new auditor selection and training programs; to fund the taxpayer assistance and guidance program, and the training programs; and to support logistical aspects of the program.
- 3.20 An estimated 40 new auditors will be hired, initially to be paid using program resources. Upon completion of the training stage, they will join the regular staff of the DGI. The Ministry has also agreed to hire two systems engineers and two operation and maintenance analysts upon program initiation, as a condition precedent to the first disbursement.

F. Reports

- 3.21 The CIAT will prepare and submit the following reports to the Coordination Committee and the Operations Committee for approval and forwarding to the Bank:
 - a. Initial report: This report must be submitted within 60 days after the contract is signed with the specialized agency and is to include a description of the activities carried out by the DGI under the short-term (August-December 1995) plan of action approved by the Bank during the project administration mission in June 1995. The initial report will provide a benchmark in that it will contain baseline information against which to

measure progress in the activities listed under the performance indicators set out in Annex III. It will also contain the matrix of activities reviewed and approved by the DGI; the schedule of specific activities to be carried out during the first year of the program; the name of the official appointed National Coordinator; the names of the experts who will serve as counterpart personnel; and the list of four officials hired to work in the areas of data processing and operation and maintenance as indicated in paragraph 3.20 and in the detailed terms of reference of the consultants who will be responsible for conducting activities during the first year of the program.

- b. Semiannual progress reports: These reports must be submitted within 30 days after the beginning of each six-month period, and must contain a description of all program activities carried out during the immediately preceding period. They must also include an assessment of the activities executed in that period, a schedule of activities to be carried out over the following six months, and recommendations concerning appropriate courses of action to be pursued and any other measures deemed necessary. In addition, progress reports will include data on tax revenues collected during the period, and an estimate of the impact which the program activities have had such collections. They will also include an estimate of the amount by which administrative costs have been reduced as a result of the simplification carried out and the new systems introduced under the program.
- c. Final report: This report must be submitted within 30 days after the end of the program execution period and must contain a summary of the activities carried out, the results obtained compared with the goals identified in Chapters II and III of this document.

3.22 The DGI must prepare and submit the minutes of the Coordination Committee to the Bank for consideration within 30 days after each Coordinating Committee meeting.

3.23 The CIAT will be required to prepare and submit financial reports to the Bank for consideration within 90 days after the end of each year during program execution. The final financial report must be submitted within three months after the final disbursement. All financial reports must be audited by an independent accounting firm approved by the Bank.

G. Cost of the program

3.24 The cost of the program is estimated at the equivalent of US\$2.25 million, of which the Bank would contribute US\$1.9 million from the Fund for Special Operations on a reimbursable basis and the local counterpart contribution would be in an amount equivalent to US\$350,000.

- 3.25 The following table shows the principal budget categories to be financed under the program (see Annex VII, "Detailed Budget"):

BUDGET SUMMARY (US\$ equivalent)			
CATEGORY	BANK	COUNTERPART	TOTAL
1. Long-term consultants	399,000		399,000
2. Short-term consultants	440,000		440,000
3. Administrative/Financial support	32,000		32,000
4. Computer and remote processing equipment	400,000		400,000
5. Training	150,000	20,000	170,000
6. Publications and information program	10,000	10,000	20,000
7. Supplies, communications, & infrastructure		30,000	30,000
8. New DGI staff	100,000	240,000	340,000
9. CIAT overhead (14%)	214,000		214,000
10. Finance charges - inspection and supervision - credit fee	19,000	9,500	19,000 9,500
11. Contingencies	136,000	40,500	176,500
TOTAL	1,900,000	350,000	2,250,000

H. Execution and disbursement periods

- 3.26 The program will be carried out over a period of 30 months. The final disbursement will be made 36 months after the date on which the loan contract is signed by the Bank and the Ministry of Finance.

I. Disbursement procedures

- 3.27 Disbursements of the Bank's contribution of up to the equivalent of US\$1.9 million will be administered by the Ministry of Finance. For this purpose, the Bank, at the request of the Ministry of Finance, may establish a revolving fund in an amount of up to 10% of the Bank's total contribution. As a condition precedent to the first disbursement, the Ministry of Finance must submit the following to the Bank: (i) a copy of the contract signed by the Ministry of Finance and the CIAT as the specialized agency, previously approved by the Bank; (ii) a list of ministry officials appointed to represent the ministry in all matters relating to the execution of the agreement; (iii) authenticated copies of the signatures of these officials; (iv) a budget indicating the

expenditures during the first three months of the program; (v) the work plan and schedule of activities to be carried out under the program; and (vi) the experts to be appointed national counterpart staff. Additional personnel must be hired within the first six months after initiation of the program.

3.28 The Bank's contribution will be from the Fund for Special Operations, and will be provided on a reimbursable basis. The terms of the loan, in accordance with current provisions, will be as follows:

- a. Amount and currency: up to US\$1.9 million or its equivalent in other currencies.
- b. Guarantee: the general responsibility of the borrower.
- c. Credit fee: 0.50% on the undisbursed portion of the loan, beginning to accrue 12 months after the date of the respective resolution adopted by Board of Executive Directors, and payable in dollars of the United States of America on the same dates as the interest.
- d. Amortization and grace periods: the borrower will repay the loan over 40 years, with a grace period of 10 years, reckoned from the date on which the contract is signed, in semiannual payments. The first amortization payment will be made six months after the final disbursement.
- e. Interest: the interest rate will be 1% during the grace period and 2% thereafter.
- f. Disbursements: the period for disbursement of the loan resources will expire 36 months after the effective date of the loan contract.

3.29 Replenishment of the revolving fund will be carried out according to the Bank's applicable procedures, subject to submittal by the executing agency of a request accompanied by an accounting of the expenditures incurred against the Bank's contribution. However, the Bank may, at the request of the government, make direct disbursements to the specialized agency in accordance with the Bank's procedures.

IV. BENEFITS AND RISKS

A. Benefits

- 4.1 This technical-cooperation program was designed to include the activities required to achieve the proposed objectives and at the same time allow sufficient flexibility to ensure its successful execution. As part of the program to modernize the DGI, the government has stated its commitment to institutional strengthening of Nicaragua's tax administration. An effective and efficiently operating income tax administration at the national level is an essential condition for ensuring taxpayer compliance.
- 4.2 The activities carried out under the program will enable the DGI to improve service to taxpayers and reduce the level of tax evasion. This, in turn, will make Nicaragua's tax system more equitable by eliminating the unfair advantage of companies that evade taxes over those that meet their tax obligations.

B. Risks

- 4.3 Despite the efforts made and the progress achieved in recent years, the Revenue Department is still undergoing modernization. In this context, its human resources present certain deficiencies in terms of both number and professional training, a situation which constitutes a risk for program execution. In order to reduce this risk, training components have been included in the proposed program to improve the management and executive capacity of the DGI, and in specific areas of its administration.
- 4.4 In addition, the public administration reform program under review by the Bank includes a component designed to implement a new human resources policy in Nicaragua's federal government.

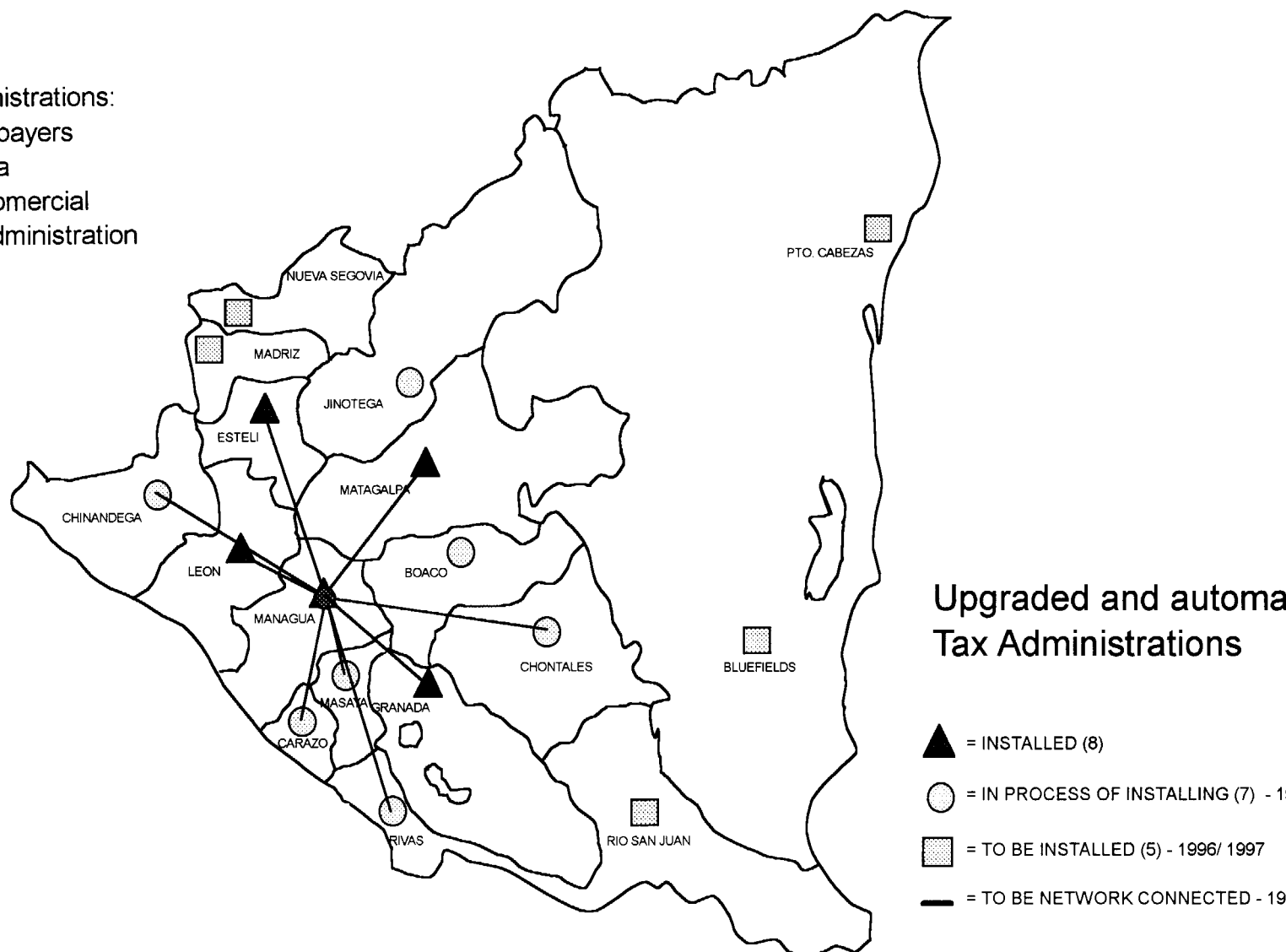
V. EVALUATION

- 5.1 The evaluation of the program will cover the execution of program activities, the degree to which the program objectives and goals have been met, and the benefits stemming from its execution. Basic responsibility for the program will lie with Regional Operations Department 2 through Country Division 3 at the Bank's Headquarters and the Bank's Country Office in Nicaragua, with technical support provided by the Fiscal Unit of the Integration and Regional Programs Department (INT/FIS).
- 5.2 Initial evaluation: Upon completion of the first 60 days of program execution, the Bank will send a mission to review and approve the work plan for the program and evaluate the extent to which the executing agency and specialized agency have met the requirements set forth in the contract. The mission must be timed to coincide with the first meeting of the Coordination Committee (chaired by the Minister of Finance) which will approve the work plan and schedule of activities for the project.
- 5.3 Mid-term evaluation: Within 15 months after initiation of the program, the Bank will conduct a mid-term evaluation in coordination with the executing and specialized agencies, for the purpose of verifying the progress achieved, what objectives have been met, whether any difficulties have arisen or deviations from plans have occurred, and proposing solutions and possible improvements. In particular, the progress made in automating the collections system and the results obtained under the new inspection programs will be reviewed. The evaluation will conclude with a meeting of the Coordination Committee to discuss its findings.
- 5.4 Final evaluation: Upon completion of the 30-month execution period, the Bank, in conjunction with the executing and specialized agencies, will schedule a final evaluation mission for the purpose of reviewing the extent to which the planned activities have been completed, the results obtained with respect to the proposed objectives and goals, the degree of improvement in collections, and the benefits which the program has afforded to Nicaragua. The mission will conclude with a meeting of the Coordination Committee at which the findings of this evaluation will be presented.

ANNEX II PROGRAM FOR THE STRENGTHENING OF DGI

Current Situation of the modernization process of Income Administrations

x Administrations:
 rge Taxpayers
 nda Vista
 entral Comercial
 entral Administration



ed by the Inter-American Development Bank (INT/IRMU), has not been approved by any competent authority and its inclusion in the loan document has the e
 cating the area of influence of the project proposed for financing.

MATRIX OF ACTIVITIES, RESULTS, AND PERFORMANCE INDICATORS

ACTIVITIES	EXPECTED RESULTS	PERFORMANCE INDICATORS	CONSULTING SERVICES
A. Tax legislation and regulations			
<p>dissemination and discussion of the Tax Code Bill during processing in the legislature.</p> <p>prepare a proposal for systematization of tax legislation and regulations and its harmonization with the Tax Code.</p> <p>prepare updated versions of current regulations and regulations concerning computerized accounting, the billing system, adjustment for inflation.</p> <p>conduct activities for tax policy considered important by the government.</p>	<p>1. A Tax Code approved by the legislature, harmonized with the various substantive tax laws.</p>	<p>Implementation of the Tax Code and publication of the respective regulations issued.</p>	<p>1. 3 months of national consulting services specializing in tax legislation to harmonize substantive laws with the Tax Code.</p> <p>2. 1 month of national consulting services specializing in tax legislation to support processing of the Tax Code bill in the legislature.</p> <p>3. 2 months of international consulting services specializing in tax policy.</p>
B. Organizational development and human resources			
<p>revise the new organizational structure of the DGI through strengthening of central regulations and delegation of authority and decentralization of functions to the regional offices.</p> <p>elaborate comprehensive, standardized administrative procedures governing tax administration procedures.</p> <p>develop a personnel policy governing DGI recruitment and development, including the incentive system.</p> <p>train DGI personnel management in order to implement the new staff development policy set.</p> <p>prepare a proposal to establish DGI's administrative and financial autonomy, including preparation and performance evaluation of DGI itself.</p>	<p>a. Standardized procedures governing regional offices.</p> <p>b. Implementation of a personnel policy governing DGI staff recruitment, development, and performance evaluation that includes a proposed career path.</p> <p>c. Proposal to establish the DGI's administrative and financial autonomy.</p>	<p>Use of standardized procedures.</p> <p>DGI budget regulations.</p> <p>DGI personnel policy regulations.</p>	<p>B1. 4 months of international consulting services to support implementation of the DGI's organizational structure.</p> <p>B2. 3 months of international consulting services specializing in human resources to support establishment of a personnel policy and to devise a career proposal for the DGI.</p> <p>B3. 1 month of international consulting services to support preparation of the proposal for administrative and financial autonomy of the DGI.</p>

ACTIVITIES	EXPECTED RESULTS	PERFORMANCE INDICATORS	CONSULTING SERVICES
C. Data management and use			
<p>Develop a system of economic and tax indicators that will help gauge the level of tax evasion and potential tax collection in different regions of the country.</p> <p>Develop a system of performance indicators to evaluate the performance of the different DGI offices.</p> <p>Develop methodologies and techniques for data analysis, processing, evaluation and supervision, and collection forecasting.</p>	<p>a. Implementation of economic and tax indicator systems that will help:</p> <ul style="list-style-type: none"> - gauge the level of tax evasion and potential tax collection in the different regions of the country; and - evaluate the performance of the different DGI offices. 	<p>Periodic dissemination of tax evasion and tax administration performance indicators.</p>	<p>C1. 3 months of international consulting services by a financial economist to develop a proposal for a methodology and system of economic and tax indicators.</p> <p>C2. 1 month of international consulting services to define DGI's performance indicators.</p> <p>C3. 1 month of international consulting services for tax collection analysis and forecasting.</p>
D. Training			
<p>Develop a program to strengthen managerial capacity of the staff.</p> <p>Develop and implement an inspection and auditing training program for current and new staff.</p> <p>Develop and implement a program to train staff in charge of providing guidance and assistance for taxpayers.</p>	<p>a. Training during the program execution period of at least 50 executive level staff, 150 auditing and inspection staff at the national level, and 100 staff in guidance and assistance for taxpayers.</p>	<p>A 20% increase in manpower in inspection with the recruitment of 40 new inspectors selected and trained under the new auditor and inspector training program.</p>	<p>D1. 6 months of international consulting services (long-term consultant specializing in taxation) to coordinate and supervise development and implementation of the inspection training program.</p> <p>D2. 2 months of international consulting services to design, develop, and implement the managerial training program for the DGI.</p> <p>D3. 2 months of international consulting services to develop and implement the field inspection training programs.</p> <p>D4. 2 months of international consulting services to design and implement training programs for officials in charge of providing guidance and assistance for taxpayers.</p>

ACTIVITIES	EXPECTED RESULTS	PERFORMANCE INDICATORS	CONSULTING SERVICES
E. Collection			
<p>the feasibility of implementing tax collection through taking into account the collection of the SIT collection.</p> <p>ent an automated monitoring for delinquency management collection enforcement.</p> <p>idate implementation of the t account through incorporation of the amounts owed not tly taken into account in er accounts.</p>	<p>a. Feasibility study on tax collection through banks.</p> <p>b. Management information necessary to supervise and control collection management.</p>	<p>Recommendation on whether to implement tax collection through banks.</p> <p>Disclosure of delinquent and negligent taxpayers.</p>	<p>E1. 2 months of international consulting services in bank collection to prepare a program on use of the banking network other institutions to collect taxes.</p> <p>E2. 2 months of international consulting services to design support collection management monitoring and incorporation of additional amounts owed into current account.</p>
F. Inspection and auditing			
<p>p techniques and procedures e selection, programming, ecuting of auditing and tion cases, based on ation systems.</p> <p>p a system and procedures spection and auditing mance monitoring.</p> <p>t implementation of the ive estimate system being ed by the DGI.</p> <p>t a study to evaluate alter- s for incorporation of s that are difficult to l into the tax system.</p> <p>and implement a plan to then billing control ures.</p> <p>t the selection, develop- and implementation of tech- and methodologies using s in the various automated ting inspection and auditing ures.</p>	<p>a. Implementation of techniques and procedures for the selection, programming, and executing of auditing and inspection cases, based on information systems.</p> <p>b. Implementation of a system and procedures for inspection and auditing performance monitoring.</p> <p>c. Implementation of the objective estimate system for taxpayers mainly pursuing transportation-related activities and for small taxpayers.</p> <p>d. Implementation of an effective plan to strengthen billing control procedures.</p> <p>e. Implementation of a pilot plan for inspection based on techniques and methodologies using laptops in the various automated accounting inspection and auditing procedures.</p>	<p>Inspection and auditing capacity will double with the implementation of programs that will help the DGI directly audit at least 1,000 taxpayers annually.</p>	<p>F1. 24 months of international consulting services (by one long-term consultant in auditing) to design and support modernization of auditing procedures.</p> <p>F2. 4 months of international consulting services (two separate periods) in tax payment control and support modernization of hard-to-monitor economic sectors.</p> <p>F3. 1 month of international consulting services in billing control systems and procedures.</p> <p>F4. 2 months of international consulting services to design and implement training programs for staff in charge of providing guidance and assistance for taxpayers.</p>

ACTIVITIES	EXPECTED RESULTS	PERFORMANCE INDICATORS	CONSULTING SERVICES
G. Taxpayer assistance			
<p>conduct a diagnostic study of problems and needs in the DGI's internal and external communications.</p> <p>develop an information campaign on tax issues (amendments to legal provisions, interpretative and advisory positions, etc.), DGI policies, and taxpayer rights and obligations.</p> <p>conduct taxpayer opinion polls to identify shortcomings in the services delivered, legal problems, problems connected with forms and conditions to be completed, to provide feedback for decision-making.</p> <p>strengthen the taxpayer assistance of the regional DGI offices.</p>	<p>a. Implementation of national information campaigns on tax issues and taxpayer guidance.</p> <p>b. Establishment of taxpayer assistance units in all income tax offices.</p>	<p>Have a unit for immediate attention and one-stop processing for taxpayers at 10 main tax offices.</p>	<p>G1. 2 months of international consulting services in taxpayer assistance.</p> <p>G2. 4 months of national consulting services in communications, information campaigns, and polls.</p>

ACTIVITIES	EXPECTED RESULTS	PERFORMANCE INDICATORS	CONSULTING SERVICES
H. Data processing and information systems			
the data processing structure launched in the program with the installation of additional equipment and communications network linking regional offices and the central office.	a. Consolidation of the data processing infrastructure launched in the previous program with a communications network linking all the regional offices and the central office.	Linkage of the central DGI computer to a national communications network, so as to be able to obtain information on taxpayers from 10 main income tax offices in real time.	H1. 18 months of international consulting services (one local consultant specializing in computer science) to coordinate and support the design and implementation of the various information systems and the national communications network linking central and regional offices.
the information systems to strengthen the DGI's activities, particularly in the areas of auditing, performance monitoring, statistics, and management information.	b. Implementation of the information systems needed to strengthen the DGI's activities, particularly in the areas of auditing, performance monitoring, statistics, and management information.		H2. 3 months of international consulting services in tax information systems.
systems and procedures to file tax returns on magnetic tape.	c. Implementations of a system that would enable taxpayers to file their tax returns on magnetic tape.		H3. 3 months of international consulting services (in 2 separate periods) specializing in local long-distance communication networks (LAN/WAN).
an alternative information system to the SIT to improve the filing of small income earner			H4. 1 month of international consulting services in information systems for filing tax returns on magnetic tape.
			H5. 5 months of national consulting services in information system development.
			H6. 5 months of national consulting services in organizational development.
I. Document storage system			
a pilot plan for a document storage system.	a. Implementation of a pilot plan for a document storage and retrieval system to archive large taxpayer returns.	Availability of large taxpayer returns for the previous two years in the data base.	I1. 4 months of international consulting services to develop and implement the pilot plan. I2. 2 months of national consulting services in library technology.

TRAINING AND INTERNSHIP PROGRAM

A. TRAINING: COURSES BY AREA	# OF COURSES	PARTICIPANTS		HOURLY CHARGE		COST (US\$)	
		PER COURSE	TOTAL	PER COURSE	TOTAL	LOCAL	
ORGANIZATIONAL AND MANAGERIAL DEVELOPMENT	5	-	80	-	140	5,000	
Material development	2	20	40	40	80		
Logistic planning	1	10	10	20	20		
Leadership and teamwork	2	15	30	20	40		
INSPECTION AND AUDITING	15	-	220	-	290	10,000	
Planning and inspection techniques	10	15	150	20	200		
Inspection techniques	2	15	30	20	40		
Legislation and accounts auditing	2	10	20	20	40		
Practical training in auditing activities (supervisors)	1	20	20	10	10		
TAXPAYER ASSISTANCE	7	-	140	-	80	5,000	
Taxpayer assistance techniques	2	20	40	10	20		
Computer information and guidance systems	4	20	80	10	40		
Legislation	1	20	20	20	20		
GRAND TOTAL	27	-	440	-	510	20,000	1

Estimated hourly cost per class of US\$200

B. INTERNSHIPS	DESTINATION	NUMBER OF		AVERAGE COST (US\$)		TOTAL TRAVEL (US\$)	TOTAL PER DIEM (US\$)	TOTAL COST TO IDB (US\$)
		DAYS	PARTIC.	TRAVEL	PER DIEM			
AREA		75	10			18,500	27,750	47,250
1. Auditing	America/Europe	15	4	2,000	200	8,000	12,000	20,000
2. Collection	America/Europe	15	1	1,500	150	1,500	2,250	3,750
3. Data processing	America/Europe	15	1	2,000	200	2,000	3,000	6,000
4. Taxpayer assistance	Latin America	15	2	1,500	150	3,000	4,500	7,500
5. Management	America/Europe	15	2	2,000	200	4,000	6,000	10,000

PRESUPUESTO DETALLADO (US\$)			
Rubros Presupuestarios	BID	CONTRAPARTIDA (GOBIERNO)	TOTAL
1. Consultores Largo Plazo (48 meses)	399.000		399.000
1.1 Especialista en Fiscalización (8.500 (s = suma alzada) x 30 meses)	255.000		255.000
1.2 Especialista en Informática (8.000 (s) x 18 meses)	144.000		144.000
2. Consultores de Corto Plazo (65 meses)	440.000		440.000
2.1 Nacional (4.000 (s) x 20 meses)	80.000		80.000
2.2 Internacional (8.000 (s) x 45 meses)	360.000		360.000
3. Apoyo Administrativo / Financiero	32.000		32.000
3.1 Asistente Administrativo (800 (s) x 30 meses)	24.000		24.000
3.2 Técnico en contabilidad (800 (s) x 10 meses)	8.000		8.000
4. Equipos de Computación	400.000		400.000
5. Adiestramiento y Capacitación	150.000	20.000	170.000
6. Publicaciones y Divulgación	10.000	10.000	20.000
7. Suministros, Comunicaciones e Infraestructura		30.000	30.000
8. Nuevos Funcionarios de la DGI	100.000	240.000	340.000
8.1 Auditores y Fiscalizadores	100.000	140.000	240.000
8.2 Ingenieros de Sistemas y Analistas de O&M		100.000	100.000
9. Overhead CIAT (14%)	214.000		214.000
10. Gastos Financieros			
- Inspección y Vigilancia	19.000		19.000
- Comisión de Crédito		9.500	9.500
11. Imprevistos	<u>136.000</u>	<u>40.500</u>	<u>176.500</u>
T O T A L	<u>1.900.000</u>	<u>350.000</u>	<u>2.250.000</u>

PROPOSED RESOLUTION

NICARAGUA. TECHNICAL COOPERATION LOAN FOR THE MODERNIZATION
OF THE DIRECCION GENERAL DE INGRESOS

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such agreements as may be necessary and to adopt such measures as may be pertinent for the execution of the program of technical cooperation described in Document _____, the objective of which is the modernization of the Dirección General de Ingresos.

2. That up to the sum of US\$1,900,000, or its equivalent, is authorized for the purposes of this resolution, chargeable to the Bank's Fund for Special Operations.

3. That the above-mentioned sum shall be provided on a reimbursable basis, in accordance with the respective conditions which shall be set forth in the agreement to be signed for this operation.