

MODERNIZATION PROGRAM OF THE OF THE GENERAL AUDITING OFFICE
(NI-0160)

EXECUTIVE SUMMARY

Borrower:	Republic of Nicaragua	
Executing agency:	General Auditing Office	
Amount and source:	IDB (FSO, U.S. dollars):	US\$5.4 million
	Local:	US\$0.6 million
	Total:	US\$6.0 million ¹
Terms and conditions:	Amortization period:	40 years
	Grace period:	10 years
	Disbursement period:	4 years
	Interest rate (first 10 years):	1.0%
	Interest rate (thereafter):	2.0%
	Inspection and supervision:	1.0%
	Credit fee:	0.5%
Objectives:	The general program objective is to improve the efficiency and effectiveness of oversight in public administration by modernizing and strengthening the General Auditing Office (CGR) as the supreme audit institution responsible for overseeing the administration of State resources.	
Description:	The proposed program ² is centered around four components:	
	<p>Component 1. Strengthening of the CGR organizational and management structure (US\$1.6 million). The objective of this component is to strengthen the CGR's institutional response capacity to efficiently carry out the duties under the current legal framework and help ensure effective human resource management in order to improve staffing, and staff performance and motivation based on skills. To achieve these objectives the following activities will be carried out:</p>	

¹ The financing matrix is consistent with the new policy on financing levels for the Bank and borrowing countries (documents AB-2151 and CS-3400).

² The program encompasses the General Auditing Office's four decentralized regional offices in Puerto Cabezas, Bluefields, Juigalpa and Chinandega.

(i) establish a new organizational structure; (ii) prepare strategic and management plans; (iii) design and implement manuals and guidelines on procedures; (iv) formulate a strategic plan for human resources in line with its new structure; (v) design and implement human resource management policies and systems (i.e. recruitment, evaluation, promotion, compensation, etc.); and (vi) select and implement information systems to support and enhance institutional management and for human and financial resource planning and management. This component will include internal and external outreach activities through which the CGR will disseminate information on its core values, the progress of modernization efforts and outputs from its government oversight activities.

Component 2. Strengthening of CGR control mechanisms (US\$0.6 million). The objective of this component is to modernize and strengthen control mechanisms as expedient, effective tools for ensuring transparency in public administration. The following activities will be carried out under this component: (i) review and update government auditing standards (GAS) and government auditing handbooks (GAH) and develop technical guides for different auditing areas; (ii) develop and select modern oversight procedures; and (iii) develop technical guides for the establishment of internal control procedures for internal auditing units (IAU) and review and evaluate the operations of these units. The goal is for these guides to be assimilated and used by all IAUs within a period of one year from the date of their approval so that the CGR can successfully evaluate at least 60% of all IAUs within the first year of the project execution period. This component also provides for the procurement of auditing software and computer systems in support of CGR auditing operations.

Component 3. Design and implementation of a training structure (US\$1.5 million). The objective of this component is to design and set up a comprehensive continuing training structure to enable employees of the CGR and internal auditing units of other government agencies to upgrade their technical and human skills and capabilities. The component will include the following activities: (i) prepare and implement a strategic training plan; (ii) formulate specialized training and refresher training programs; (iii) provide training in the use and management of various supporting information systems for internal management procedures, control systems and office tasks; (iv) conduct trainer training activities to build an in-house staff of instructors; and (v) upgrade existing facilities, for example by renovating the library and procuring technical training materials and equipment. Upon program completion, at least 90% of General Auditing Office and IAU personnel are expected to have taken part in training activities.

Component 4. Development of technology infrastructure (US\$1.1 million). The objective of this component is to develop a technology platform as basis for the integrated implementation of different information systems. This component includes the following activities: (i) formulate an integrated strategic plan for computer technology and resources that provides for network expansion and integration, strengthening the pool of computer equipment, updating supporting equipment for the new reporting system for data and applications management, and updating operating, development and work platforms; (ii) implement a reporting system for data management; (iii) establish an internal and agency-wide communications network, if possible, to be integrated with other related networks; (iv) establish an internal, all-staff electronic mail system with secure Internet access; (v) develop operating guides and manuals for system use, operation and maintenance; and (vi) train personnel involved in the various components of the new technology infrastructure. One hundred percent of all CGR personnel are expected to be sharing information through the network within one year from the date the new technology is procured.

The Bank's country and sector strategy:

The Bank strategy as defined in the country paper, is to achieve sustainable economic growth by continuing to reorganize the public sector as part of the ongoing State reform and by strengthening efficiency and transparency in the administration of public funds among other activities. Dialogue with the new administration as the basis for the preparation of a new country paper focused on strategies for strengthening governance and the country's institutional framework. The proposed operation is consistent with these strategies, in that it includes activities to strengthen the technical capacity of the CGR that will help restore its professional status and independence and, as a result, strengthen governance and transparency in oversight of the administration of public resources (see ¶ 1.17).

Environmental and social review:

The proposed program is environmentally feasible, in that it should have no adverse impact on the environment. On the contrary, it will have a positive impact by developing environmental auditing procedures, which will help mitigate the adverse environmental impact of government projects.

The program is expected to have a positive social impact by helping to improve the use of public resources, which will be reflected in the delivery of quality public services (see ¶ 4.5 and 4.6).

Benefits:

- Modernization of the CGR will help strengthen its capacity to ensure technical, timely, efficient, transparent oversight of State property and resources. Reforms in the organization and

management of the CGR will improve working procedures, producing a holistic vision of the oversight process. They will also give the CGR a flexible structure which can be easily adapted to any future growth, changes and challenges. The outreach activities for the dissemination of information on the institutional values of the CGR, the progress of modernization efforts and the outputs from its oversight activities will be an incentive for the CGR to achieve its objectives and fulfill its responsibilities in the context of transparency. The activities to strengthen human resource management and training will improve staffing and help ensure that performance is more in line with employee skills.

- The activities to strengthen the control mechanisms will help improve the efficiency of the CGR in conducting the growing number of audits and investigations required and help it develop new control procedures. Likewise, the installation of computer systems bolstering its technical, administrative and oversight activities will help expedite its work, strengthen its management capacity and promote greater internal integration and exchanges with its main outside stakeholders.
- Lastly, the program has a comprehensive design, encompassing all major areas of the CGR, with a long-range vision of the agency, thereby ensuring continuity, sustainability and a solid foundation for meeting the challenges of a constantly changing oversight environment.

Risks:

- Modernization efforts generally run up against natural resistance to change on the part of staff. To mitigate this type of risk, the program includes outreach activities to inform CGR personnel of developments throughout the entire modernization process to help them better identify with the reforms. It also provides for the formulation and implementation of an internal and external outreach strategy for disseminating information on the core values of the CGR and the outputs of its government oversight activities.
- The introduction of new information technology in support of management, administrative and oversight procedures may also cause some resistance to change. However, the program includes training for staff in areas relevant to their respective fields of expertise throughout the program execution period, as well as the establishment of a continuing training system.

Special contractual clauses:

The conditions precedent to the first disbursement of Bank funding are as follows:

- a. The borrower must enter into a funds transfer agreement with the CGR that must include: (i) the terms and conditions under which the borrower will transfer the loan proceeds to the CGR; and (ii) the obligation on the part of the CGR to carry out the program activities in accordance with the loan contract between the Bank and the borrower (see ¶ 3.2).
- b. The executing agency must: (i) establish a program monitoring committee (MC); (ii) establish an administrative support unit (ASU) and select a general coordinator; and (iii) implement the program operating regulations (see ¶ 3.5).

Exceptions to Bank policy:

None

Procurement:

The selection and hiring of consulting services and all procurement under the program must be carried out in accordance with Bank procurement procedures. The procurement of goods over US\$200,000 equivalent and the awarding of construction contracts over US\$1,000,000 will be subject to international competitive bidding. In principle, procurement below those thresholds will be governed by local legislation. The selection and hiring of consulting services over US\$200,000 equivalent will require an open international call for proposals.

I. FRAME OF REFERENCE

A. Modernization of the State

- 1.1 For the past few years, Nicaragua has been in the midst of a State reform process in which it has been stepping up reform efforts in all areas of public administration. Its main reform efforts, backed by international cooperation programs in general and by Bank programs in particular, involve: (i) business sector reforms, including the privatization of government monopolies; and (ii) activities designed to strengthen the private banking/financial sector and reform the Central Bank and Financiera Nicaragüense de Inversiones [Nicaraguan Private Investment Bank]. The second phase of the reform process focused on institutional strengthening activities designed to improve services and heighten public satisfaction with service delivery. There are ongoing programs seeking to: (i) reform public utilities and general government; (ii) strengthen the Judiciary and improve access to the justice system; (iii) reform the national procurement system; (iv) reform the pension system; (v) reform the national budget financial management system; and (vi) strengthen the administration of tax revenues and customs services. All such efforts include the establishment of modern, efficient, effective organizational structures and modern information systems for government agencies. These reforms are putting increasing pressure on the General Auditing Office (CGR) to review and tailor its own operations and working methods to ongoing reforms in agencies subject to oversight, which also requires that it act quickly to successfully meet the challenges presented by these changes.

B. General Auditing Office

1. Legal status and functions

- 1.2 According to Article 154 of the Political Constitution of June of 1995, as amended by Law No. 330 of January of 2000 amending portions of the Political Constitution of the Republic of Nicaragua, the CGR is the “lead agency for the system of oversight in public administration and the stewardship of State property and resources.” Its constitutional mandate vests it with the authority to: (i) establish a control system ensuring the due and proper use of government funds; (ii) conduct continuous budget management audits with respect to the nation's general budget; and (iii) oversee, examine and evaluate the administrative and financial management of government agencies, State-subsidized agencies and organizations and public or semi-public enterprises.
- 1.3 More specifically, the functions of the CGR under its organic law are as follows:
- a. Auditing function: This is the main activity of the CGR and is primarily centered around conducting compliance audits, including audits of consistency with

pertinent laws and regulations, and financial audits. It is also in charge of conducting operational¹ and special² audits.

- b. Regulatory function: The CGR has the authority to issue and update precepts, policies and technical standards with respect to government auditing, internal control systems for government agencies or institutions³ and government accounting. The CGR also furnishes technical assistance to agencies subject to oversight for the establishment of relevant systems and tools within its area of expertise, laying the groundwork for strengthening data collection, control, evaluation and reporting systems.
- c. Legal function: The CGR establishes administrative and civil responsibility and makes presumptions of criminal responsibility based on its findings from corresponding audits.
- d. Anticorruption function: This involves the examination and checking of declarations of assets by incoming and outgoing government officials and employees.

2. Organizational structure

- 1.4 Article 156 of the Political Constitution of the Republic of Nicaragua, as amended by Law No. 330, defines the CGR as an independent agency with operational and administrative autonomy, subject only to compliance with the provisions of the nation's constitution and laws. However, the approval and implementation of its annual budget are governed by Article 51 of the Budget Act, which stipulates that “this Act applies to all government agencies and institutions, regardless of their nature, whose operations are financed in whole or in part by general budget funds.”
- 1.5 Article 154 of the Political Constitution, as amended by Law No. 330, changes the management of the CGR from a monocratic to a collegial management system. Nowadays, the CGR is headed by an Executive Board ("Consejo Superior") with five regular members and three alternates elected by the National Legislative Assembly for five-year terms. According to the procedural handbook for the CGR Executive Board published on 13 June 2000, the Board consists of a chairman, vice

¹ Operational auditing is the examination and evaluation of a given agency to ascertain the degree of efficiency, effectiveness and economy in its planning, organization, management and internal control procedures and in the use of its resources.

² Special audits involve the checking, review and evaluation of one or more specific aspects or parts of financial or administrative operations and transactions.

³ The establishment of internal control systems in government agencies is mandatory and includes an organization plan and array of instruments designed to safeguard their resources, verify the accuracy and veracity of their financial, technical and administrative information, boost operational efficiency and foster compliance with prescribed policies. This array of instructions and procedures provides guidance to internal auditing units for the fulfillment of their duties.

chairman and three Board members. The chairman and vice chairman are elected by the Board members from within their own ranks by a simple majority vote for one-year terms. The Executive Board holds two regular meetings a week and special sessions convened by its chairman or at the request of one of its members, with all decisions and resolutions passed by a simple majority vote.

- 1.6 The organizational structure of the General Auditing Office includes the Executive Board, various departments or “Direcciones Generales” (planning and institutional strengthening, auditing, public relations, legal affairs, etc.), operating divisions and four decentralized local headquarters in Puerto Cabezas, Bluefields, Juigalpa and Chinandega scheduled to open in April 2002. The staff of the CGR consists of 394 employees, of whom 51 (13%) hold managerial positions, 206 (52%) are professionals in technical positions, 57 (15%) hold administrative posts and 80 (20%) are in service positions.

3. Review of the current situation

- 1.7 At the request of the CGR, the Bank financed the services of an international consultant to conduct an institutional assessment in the year 2000. In general, the assessment found the performance of the CGR in accomplishing its mission lacking and its efforts to oversee the administration of public resources by government agencies to be inefficient. The study also found that the Auditing Office had mounted various efforts to improve its performance over the previous six years with assistance from the international community⁴ but that, in most cases, such assistance was short-lived and targeted at a few specific, inadequately funded areas and failed to anticipate the constant changes and expansion in agency operations. It also established the need to craft a comprehensive, long-term, sustainable modernization plan for the CGR.
- 1.8 The institutional assessment of the CGR was used as the basis for developing a strategic plan for institutional strengthening (SISP) for the period 2001-2005 as a work product studied, discussed and agreed on by the consultant and the various operating areas of the CGR, with technical assistance furnished by the IDB. The plan was approved by the CGR Executive Board in September of 2000 and, among other things, spells out the vision, mission and values of the CGR. It also establishes its institutional objectives, or the targeted outputs it hopes to achieve in accomplishing its short-, medium- and long-term mission in areas such as internal control, legal affairs, training, information systems, auditing, etc. The proposed program design is consistent with the institutional objectives established under the SISP and addresses most of these objectives. The CGR began mounting a number of the activities contemplated in the plan over the course of last year with assistance from the international community, including: (i) efforts to strengthen its legal department to fulfill its designated technical and legal responsibilities (presentation

⁴ Canada, Netherlands, USAID, Spain, Denmark, Sweden, Norway, Finland, Great Britain and GTZ (the German Technical Cooperation Agency).

of expert opinions, formulation of responses to inquiries, crafting of regulations, conduct of legal studies, contract administration, etc.); (ii) the provision of assistance to local auditing offices; (iii) the provision of assistance to municipal governments for the start-up of internal auditing operations; and (iv) the conceptualization of a community participation system. More specifically, the German and Spanish technical cooperation agencies are funding the drafting of a new organic law for the General Auditing Office. While the reforms envisaged under the proposed project are commensurate with the current legal framework and their implementation does not require amending any existing legislation, the Bank team recognizes the importance of and need for a modern organic law updating the mandate of the CGR.

- 1.9 Together, the assessment and the workshop on the logical framework for the proposed program conducted in September 2001 and attended by some 30 officials, including the members of the CGR Executive Board, Auditing Office personnel and representatives of other agencies working with the CGR raised a series of problems which are discussed below.
- 1.10 The General Auditing Office has a limited coverage capacity compared with the scope of its operations preventing it from conducting proper post-audits of most government agencies due to: (i) a lack of appropriate technical tools such as updated auditing handbooks and guides; (ii) a lack of audit planning processes; (iii) a lack of computer applications to bolster and facilitate oversight activities and audit planning and monitoring processes; (iv) limited computer skills on the part of its professional staff, who perform virtually all auditing functions manually; and (v) inadequate technical and refresher training for auditors. Most audits conducted by the Auditing Office are financial, compliance and special audits, crowding out other important control procedures. The fact that, of the 170 audits conducted over the course of the year 2001, 71 were financial and compliance audits, 87 were special audits and 12 were internal control operations is a good illustration of this point. No operational or comprehensive audits whatsoever were conducted over this period. Moreover, efforts to update integrated financial management information systems failed to establish appropriate coordination mechanisms with the CGR enabling it to set requirements and conduct audits of these types of systems.
- 1.11 While the establishment of internal control procedures is an internal management responsibility, as lead agency for the system of oversight in public administration, it is up to the General Auditing Office to establish procedures for coordinating and evaluating the operations of internal auditing units (IAU) allowing for the presentation of relevant recommendations to audited agencies. However, the success of the CGR in fulfilling this function has been limited. The database shows 68 IAUs which have never been subject to a field audit designed to assess the quality of their work. This failure on the part of the CGR is attributable to the fact that the staff of the department in charge of this task lacks both the necessary

training to fulfill this function and the supporting computer tools required to ensure proper coverage of all existing IAUs. Lastly, the internal control systems of approximately half of all government agencies audited over the course of 1999 and 2000 presented design and operational problems attributable, in large part, to a lack of training and systems audits on the part of the CGR. Moreover, the officials in charge of establishing these internal control systems in government agencies are largely if not totally unfamiliar with internal control standards.

- 1.12 The CGR has been making piecemeal attempts at reforming its organizational structure in lieu of mounting a comprehensive restructuring effort aimed at strengthening its work processes, establishing a less bureaucratic structure and instituting new operating methods and procedures. The assessment helped pinpoint the following major organizational problems: (i) inadequate intra-sectoral cooperation by the CGR's different departments and units in the performance of their duties, ruling out any coordination of efforts and sharing of information and resources; (ii) decision-making processes trained on the top management level, ruling out any possibility of an effective delegation of authority and regular flow of information, delaying work processes and making job performance more rigid and less effective; (iii) work tools and procedures which fail to take full advantage of the benefits of modern technology to make the most of available human resources; (iv) a lack of adequate horizontal and vertical communications channels, limiting options for strengthening the commitment of agency employees; and (v) internal management procedures which are inconsistent with a strategic planning process setting specific long-term objectives.
- 1.13 The assessment pointed to human resources issues as one of the key problem areas of the CGR. The main challenges in this area include: (i) the difficulty of attracting specialized personnel and the constant turnover of staff in the absence of an adequate incentives system; (ii) a lack of certain personnel management tools such as procedural handbooks, an incentives system and civil service and job classification manuals; (iii) low staff turnover at certain levels; (iv) a lack of diversity in the technical qualifications of auditing personnel; (v) a lack of clear recruitment, evaluation and promotion policies; and (vi) a lack of supporting computer systems for human resource planning and management purposes. Added to these challenges is the need for a training system addressing current manpower training needs. Ongoing training activities are fragmented and isolated and are not conducted as part of a comprehensive training system. Moreover, the training center lacks basic furnishings and equipment and has serious limitations in terms of the designing of systematic training programs in specific technical fields.
- 1.14 The CGR lacks appropriate network infrastructure offering user services designed to facilitate daily job performance based on access to shared applications, electronic mail services and the sharing of standard information through the development of Web-based applications. Nor does it have telecommunications infrastructure with external and Internet access allowing it to share information in real time with its own regional headquarters and different stakeholders such as government agencies

subject to oversight, the National Legislature and the general public. The agency's current information servers do not provide the high levels of access and security and the storage capacity required by the type of information administered by the CGR. Moreover, most of its computer hardware is obsolete or has limited computing facilities preventing the running of state-of-the-art applications software. Lastly, demand for targeted assistance from its internal units has outstripped the capabilities of computer center personnel to the point of paralyzing operations or delaying action and, thereby, discouraging the use of available information systems and technology.

- 1.15 In the past, the failure by the Ministry of Finance and Public Credit to make timely transfers of general budget appropriations to the General Auditing Office, interfering with its operation, had been a major source of concern. However, this problem has since been resolved. Last year's budget appropriation was transferred to the CGR in due course. The new administration has reiterated its commitment to supporting initiatives aimed at promoting transparency in public administration and, in particular, at expediting the modernization of the General Auditing Office to strengthen its technical expertise and level of professionalism on numerous occasions. Likewise, the government has agreed to provide the CGR with appropriate budgetary aid and to make timely transfers of counterpart funding earmarked for this program.
- 1.16 Finally, as mentioned earlier, the CGR and, more specifically, its Department of Government Ethics (DPA), conducts different types of operations under the Ethics in Public Service Act designed to prevent, expose and combat unjust enrichment by civil servants. However, the text of the Act is obsolete and fails to address the obligations established under the Inter-American Convention Against Corruption, which has been signed and ratified by the Nicaraguan government. As soon as an appropriate regulatory framework is in place, a special effort must be made to strengthen the CGR's Department of Government Ethics to enable it to successfully fulfill its mandate in this respect.

C. The Bank's country and sector strategy

- 1.17 The Bank strategy as defined in the country paper, is to achieve sustainable economic growth by continuing to reorganize the public sector as part of the ongoing State reform and by strengthening efficiency and transparency in the administration of public funds among other activities. Dialogue with the new administration as the basis for the preparation of a new country paper focused on strategies for strengthening governance and the country's institutional framework. The proposed operation is consistent with these strategies, in that it includes activities to strengthen the technical capacity of the CGR that will help restore its professional status and independence and, as a result, strengthen governance and transparency in oversight of the administration of public resources.

D. Bank experience

- 1.18 The Bank has supported efforts to strengthen oversight agencies in several countries throughout the region under projects for the consolidation of administrative and financial public sector reforms in Argentina (0826/OC-AR), modernization of the Córdoba provincial government (1287/OC-AR), strengthening of the Colombian General Auditing Office (1243/OC-CO), modernization of the Uruguayan Auditing Office (827/OC-UR), modernization of the government oversight system in El Salvador (1204/ES), modernization of the government oversight system in Peru (ATN/SF-5599-PE), modernization of the National Congress and Auditing Office of the Dominican Republic (1258/OC-DR), and for strengthening the management capacity of the Haitian Auditing Office (ATN/SF-5996-HA). Its experience in Nicaragua includes the ongoing program for the strengthening of efficiency and transparency in government procurement and contracting procedures (1064/SF-NI) designed to improve the management and supervision of government procurements.
- 1.19 Preparations for the proposed program drew on a number of lessons learned from the aforesaid operations, namely: (i) any effort to strengthen and modernize the CGR must be undertaken as part of a process of promoting cultural change in government agencies and institutions transforming government bureaucracies into modern States operating according to a flexible, dynamic public management model capable of continually adapting to different types of change. Accordingly, such an effort also means bolstering concurrent institutional strengthening and government modernization processes to ensure that it has powerful, long-lasting effects; (ii) many of the previous changes made in the organizational structure of the Auditing Office were instituted in reaction to outside pressure on the government rather than as scheduled reforms implemented in accordance with its strategic plan. In other words, the first step should be to modify its institutional strategy, followed by the development of an appropriate organizational structure; (iii) modernization plans need to be grounded in a participatory strategic institutional planning process. Otherwise, interested employees will resist program implementation in that, having had no say in the planning process, they are unable to internalize it and are not committed to its goals; and (iv) the implementation of modernization projects for auditing agencies requires continuity at the executive management level and regular supervision and monitoring on the part of the Bank in order to achieve their objectives and ensure the successful mounting of proposed project activities.

II. PROGRAM

A. Objectives and description

- 2.1 The general program objective is to improve the efficiency and effectiveness of oversight in public administration by modernizing and strengthening the General Auditing Office as the supreme audit institution responsible for overseeing the administration of State resources.

B. Description

- 2.2 To achieve these objectives, the Bank will help fund a program centered around the following four components: (i) strengthening of the CGR organizational and management structure; (ii) strengthening of CGR control mechanisms; (iii) design and implementation of a training structure; and (iv) development of technology infrastructure.

1. Component 1: Strengthening of the CGR organizational and management structure (US\$1.6 million).

This component is broken down into two subcomponents

a. CGR organizational and management structure

- 2.3 Objective: Develop a new organizational structure and efficient, appropriate administrative management systems to strengthen its institutional response capacity and help it carry out the duties under the current legal framework and make better use of the skills of available human resources.
- 2.4 Activities: The program will provide funding for technical assistance services and computer systems and equipment to: (i) bolster efforts by the CGR to design a new organizational structure grounded in its SISP; (ii) develop strategic planning and management processes, including the establishment of performance indicators for monitoring and evaluation purposes; (iii) design and implement manuals and guidelines on procedures to expedite and streamline different internal management procedures, facilitating decision-making and the effective delegation of authority; (iv) select and implement an information system to support and enhance shared document access and management, including the development of methods and procedures for receiving, confirming, approving, distributing and preserving information; (v) select, adapt and implement an integrated “*Enterprise Resource Planning*” (ERP) system in support of CGR internal administrative and financial operations and to strengthen human and financial resource planning and management, including training in its use and administration; (vi) study and recommend different budgeting and budget implementation options in line with the needs of the CGR based on models used in other countries; (vii) conduct

information activities for CGR personnel throughout the entire modernization process to help them better identify with corresponding changes; and (viii) formulate and implement a communications strategy, backed by an information system, for disseminating information on the core values of the CGR, outputs from its government oversight activities and modernization efforts and resulting outcomes, both on an internal level and to the general public and, more importantly, to outside agencies with which it has a close working relationship.

b. Human resource management

- 2.5 Objective: Help promote effective human resource management to strengthen its staffing with qualified personnel, help ensure that job assignments are more in keeping with employee qualifications and strengthen employee commitment and motivation in the performance of their respective duties.
- 2.6 Activities: The program will provide funding for technical assistance services and procurements of computer systems and equipment to: (i) bolster efforts by the CGR to design a strategic human resources plan addressing the various needs engendered by its new organizational structure, allowing for the following variables: size, growth, make-up, professional training, seniority and functional breakdown by CGR operating area; (ii) design and implement human resource management policies and systems establishing personnel management procedures with respect to recruitment, performance evaluation, promotion, compensation, job satisfaction monitoring, turnover, the assessment of long-term human resource needs and the establishment of skills profiles required by the Auditing Office for the fulfillment of its responsibilities. All personnel must be familiar with these policies within a period of six months from the date of their approval.
- 2.7 The CGR is in the midst of a restructuring effort and has agreed to implement all outputs from program activities under this component and to take all necessary measures for the mounting of these activities. There are no plans to lay off personnel as part of the restructuring process, which is grounded in improving worker/job ratios and in providing appropriate manpower training to improve job performance.

2. Component 2: Strengthening of CGR control mechanisms (US\$0.6 million)

- 2.8 Objective: Modernize and strengthen CGR control mechanisms under current legislation as expedient, effective tools for ensuring transparency in public administration.
- 2.9 Activities: The program will provide financing for technical assistance services and procurements of computer systems and equipment to: (i) review and update government auditing standards (GAS) and government auditing handbooks (GAH); (ii) develop technical guides for different auditing areas (municipal, social,

financial, budget, tax auditing; etc.); (iii) develop and select new auditing models going beyond standard financial and compliance audits, such as operational audits, environmental audits, concurrent audits,⁵ forensic audits and integrated systems audits (i.e. integrated financial management systems or IFMAS audits), to which end a minimum of three pilot audits will be conducted based on the aforesaid models; (iv) develop and disseminate technical guides for internal auditing units (IAU) to ensure compliance with government auditing standards (GAS). These guides must be familiar to and used by 100% of all IAUs within a period of one year from the date of their approval; (v) develop guides for the review and evaluation of IAU operations. The goal is for the CGR to successfully evaluate at least 60% of all IAUs in the first year of the project implementation period; (vi) design and disseminate courses for the institution and application of internal control standards by government agencies, including the publication of materials for each course; (vii) select supporting auditing software for oversight operations; (viii) develop strategic audit planning processes ensuring full compliance with annual auditing plans; and (ix) select and implement auditing information systems facilitating the entire auditing process from the planning to the implementation stage and including the issuance of reports and the follow-up of findings from external post-audits and IAU management and control procedures. These information systems will need to be developed in line with financial management strengthening efforts, to allow for the Auditing Office to set requirements and conduct audits of these types of systems.

3. Component 3: Design and implementation of a training structure (US\$1.5 million)

- 2.10 Objective: Design and set up a comprehensive continuing training structure to enable employees attached to the CGR and to internal auditing units (IAUs) of other government agencies to upgrade their technical and human skills and capabilities to strengthen their job performance.
- 2.11 Activities: The program will provide funding for technical assistance services and training equipment to: (i) conduct a training needs assessment at the in-house level and for interested government agencies; (ii) prepare and implement a strategic training plan; (iii) design specialized training and refresher training programs and corresponding evaluation procedures, including but not limited to training activities to strengthen the technical expertise of employees involved in the management, finance, legal, internal control and auditing areas, including newly developed control procedures, familiarize employees with the use and management of newly installed information systems and new computer tools and instruct administrative personnel in the use of office automation programs; (iv) conduct trainer training

⁵ Concurrent audits are performed as economic events recorded in project administrative and financial control systems are taking place. Such audits are used in projects funded by quick-disbursing loans over short time spans characterized by a high degree of administrative decentralization and numerous small-value payments.

activities to build an in-house staff of instructors; and (v) strengthen training infrastructure by upgrading existing training facilities, for example by renovating the library and procuring technical reference materials and training equipment. Upon program completion, at least 90% of CGR and IAU personnel are expected to have taken part in training activities.

4. Component 4: Development of technology infrastructure (US\$1.1 million)

- 2.12 Objective: Develop a CGR technology platform as basis for the integrated implementation of different information systems.
- 2.13 Activities: The program will finance technical assistance services and procurements of computer systems and equipment to: (i) formulate an integrated strategic plan for computer technology and resources that provides for restructuring the information technology and systems office staff, network expansion and integration, strengthening the pool of computer equipment, updating supporting equipment for the new reporting system for data and applications management and updating operating, development and work platforms; (ii) select, procure and implement a reporting system for data management to facilitate standardization and integration of the various applications to be developed and installed as part of the program; (iii) establish an internal and agency-wide communications network and provide for its possible integration with other related networks such as those of government agencies subject to oversight, the National Legislative Assembly and public networks; (iv) establish an internal, all-staff electronic mail system with secure Internet access and agency-wide coverage; (v) develop operating guides and handbooks for system use, operation and maintenance; (vi) adapt and recondition physical infrastructure in line with the strategic plan; and (vii) train computer center personnel in the various components of the new technology. One hundred percent of all CGR personnel are expected to be sharing information through the network within a period of one year from the date the new technology is procured.

C. Cost and financing

- 2.14 The cost of the program is US\$6.0 million, of which the Bank will furnish the equivalent of US\$5.4 million (90%) in FSO resources and the equivalent of US\$0.6 million (10%) will be furnished by local counterpart funding.
- 2.15 The Bank loan will have a 40-year amortization period, with a 10-year grace period, in both cases, counted from the date of signature of the loan contract. The interest rate is 1% during the grace period and 2% thereafter, with a 0.5% credit fee on the undisbursed portion of the loan.

Table No. 1
Costs (US\$000)

Consolidated cost estimate By component	IDB	Local	Total	Total %
A. Organizational/management structure	1,608	30	1,638	27.3
Consulting services	668		668	11.1
Systems/equipment	736	26	762	12.7
Training	204	4	208	3.5
B. Strengthening of oversight mechanisms	520	61	581	9.7
Consulting services	253	20	273	4.6
Systems/equipment	160	14	174	2.9
Materials	39	21	60	1.0
Training	68	6	74	1.2
C. Continuing training system	1,377	74	1,451	24.1
Consulting services	413	18	431	7.2
Systems/equipment	64	28	92	1.5
Materials	50		50	0.8
Physical infrastructure	150		150	2.5
Training	700	28	728	12.1
D. Technology infrastructure	1,028	75	1,103	18.4
Consulting services	111		111	1.8
Systems/equipment	745		745	12.4
Physical infrastructure		75	75	1.3
Training	172		172	2.9
E. Administrative support unit	150	278	428	7.1
F. Final evaluation	50		50	0.8
G. Project auditing	100		100	1.7
H. Contingencies	375	43	418	7.0
Subtotal	5,208	561	5,769	96.2
I. Financing costs	192	39	231	3.9
Interest	138		138	2.3
Credit fee		39	39	0.7
Inspection and supervision	54		54	0.9
TOTAL	5,400	600	6,000	100.0
%	90.0%	10.0%	100.0%	

III. PROGRAM IMPLEMENTATION

A. Borrower and executing agency

- 3.1 The borrower is the Republic of Nicaragua. The executing agency is the Contraloría General de la República [General Auditing Office], operating through the intermediary of a monitoring committee (MC) and administrative support unit (ASU).
- 3.2 The borrower must present the Bank with proof of signature of a funds transfer agreement with the CGR, including but not limited to provisions with respect to: (i) the terms and conditions under which the borrower will transfer the loan proceeds to the CGR; and (ii) the obligation on the part of the CGR to conduct envisaged program activities in accordance with the stipulations of the loan contract between the Bank and the borrower. **The signature of a funds transfer agreement is a condition precedent to the first disbursement of program funding.**

B. Project implementation and management

- 3.3 The Executive Board of the General Auditing Office will be responsible for strategic program management. A monitoring committee (MC) formed specifically for program implementation purposes will be in charge of program supervision. The members of the committee will include one CGR Executive Board member and its department managers to ensure active involvement by top management in the modernization process. Other officials and the general coordinator of the ASU will be invited to attend committee meetings, according to their agenda, in search of expert opinions on specific facets of program implementation. The monitoring committee will oversee compliance with program objectives, the due and proper use of program funding and the conduction of activities under annual operating plans. It will also report to the CGR Executive Board on the progress of program implementation. Its specific responsibilities include, without being limited to: (i) approving the documentation to be submitted to the Bank in compliance with the conditions precedent to the first disbursement of program funding; (ii) selecting ASU personnel in conjunction with the unit coordinator; (iii) reviewing and submitting annual operating plans (AOPs) for approval by the Executive Board; (iv) reviewing and approving procurement plans for goods and services and project monitoring and progress reports; (v) approving financial statements drawn up by the ASU prior to their submission to the Bank; (vi) making relevant recommendations to the Executive Board in cases requiring Board approval of decisions with respect to CGR strategy and policy; (vii) evaluating ASU operations; and (viii) soliciting any and all necessary reports.

- 3.4 The administrative support unit (ASU) will be accountable to the monitoring committee for all technical, financial and administrative facets of program implementation, with the following specific duties:
- a. Draw up annual operating plans for program implementation and program progress reports;
 - b. Present disbursement requests to the Bank in accordance with the provisions of the loan contract;
 - c. Arrange for the appropriation of counterpart funding;
 - d. Open and maintain special separate bank accounts for the administration of Bank loan proceeds and counterpart funds;
 - e. Keep program accounting, financial and administrative records as stipulated in the loan contract and draw up any requested reports;
 - f. Ensure compliance with bidding and contracting procedures for the procurement of goods and the retention of consulting services according to the stipulations of the loan contract and its annexes;
 - g. Procure envisioned goods and services for program implementation;
 - h. Draw up regular progress reports in compliance with project reporting requirements;
 - i. Oversee compliance with the terms of reference for consulting services and corresponding outputs;
 - j. Report back to the monitoring committee and the Bank on the progress of all facets of program implementation.
- 3.5 The ASU will consist of a general coordinator, a procurement expert, an expert in administration and finance and a staff of administrative assistants⁶ and will be governed by operating regulations to ensure that it runs smoothly and that its operations are duly coordinated with the MC. **The formation of a program monitoring committee and administrative support unit, the selection of a general coordinator and the implementation of program operating regulations are all conditions precedent to the first disbursement of Bank funding.**
- 3.6 The operating regulations shall include, without being limited to:

⁶ Terms of reference for ASU personnel have been prepared.

- a. Procedures for ensuring due and proper coordination by the CGR Executive Board, the program monitoring committee, the administrative support unit and the different operating areas of the CGR;
- b. A description of the program;
- c. A program implementation plan consisting of the following main elements: (i) a logical framework matrix; (ii) a detailed cost estimate; (iii) a procurement plan; (iv) a monitoring and evaluation plan; (v) guidelines for the formulation of annual operating plans (AOPs); and (vi) guidelines for the preparation of external auditing reports.

C. Procurement of goods and services

- 3.7 The selection and hiring of consulting services and all procurement under the program must be carried out in accordance with Bank procurement procedures. The procurement of goods over US\$200,000 equivalent and the awarding of construction contracts over US\$1,000,000 will be subject to international competitive bidding. In principle, procurement below those thresholds will be governed by local legislation. The selection and hiring of consulting services over US\$200,000 equivalent will require an open international call for proposals. The procurement plan is attached as Annex II.

D. Revolving fund

- 3.8 A revolving fund will be established for up to 5% of the loan amount. Funding disbursed on a revolving basis will be administered by the ASU on behalf of the program through a separate special bank account. A status report on all such funds in the possession of the executing agency is due within 60 days from the close of each six-month calendar period.

E. Implementation period and disbursement schedule

- 3.9 The program implementation period is four years, plus six additional months for a program audit and final evaluation, in all cases, counted from the effective date of the loan contract. A tentative disbursement schedule is presented below:

Table No. 2
Disbursement schedule
(US\$000)

Components	Year 1	Year 2	Year 3	Year 4	Total
Administrative support unit	106	127	126	106	465
Organizational structure	302	585	699	281	1,767
Strengthening of control mechanisms	165	337	77	50	628
Training structure	78	661	547	282	1,568
Technology infrastructure	137	480	469	105	1,191
Other	90	93	97	101	381
TOTAL	878	2,283	1,915	924	6,000

F. Monitoring, evaluation and reporting

- 3.10 Program activities will be conducted in accordance with annual work schedules drawn up based on AOPs, broken down by program component. The AOP will be submitted to the Bank for clearance by 1 December of each year. The executing agency and the Bank will meet during the fourth quarter of each year to evaluate program activities and draw up an AOP for the following year based on their findings. These same findings will also be used as basis for making adjustments in program operating procedures. AOPs will consist of a report and schedule of activities for the calendar year, specifying: (i) the number of activities to be conducted, with corresponding annual implementation schedules and cost data; (ii) program objectives and targets and financing needs for the period in question; and (iii) the persons responsible for producing the targeted outputs.
- 3.11 The executing agency will present the Bank with a progress report within 30 days from the end of each six-month period containing information with respect to the achievement of Bank-established indicators presented in the logical framework and a summary of the targets attained and problems encountered during the reporting period. The Bank's Country Office in Nicaragua will be in charge of program supervision, without prejudice to the conduct of loan administration missions throughout the program execution period.

1. Midterm review and final evaluation

- 3.12 The Bank's project team will conduct a midterm review in conjunction with the monitoring committee upon the disbursement of 50% of program funding to assess progress in achieving the program performance and impact indicators established in the logical framework and, where necessary, recommend appropriate remedial measures for successful program execution. The midterm review will examine: (i) the progress of project execution and any problems encountered in the process; (ii) the degree of achievement of the project performance indicators established in conjunction with the Bank and included in the AOP for the first year of project execution; (iii) coordination by executing agencies; and (iv) the need for modifications or adjustments in the project execution plan.

- 3.13 The executing agency also agrees to present the Bank with a final evaluation report upon the disbursement of at least 90% of program funding based on the targets and the performance and impact indicators established in conjunction with the Bank. This evaluation will be conducted by an independent outside organization acceptable to the Bank based on terms of reference agreed on by the Bank and the executing agency. The executing agency will continue to submit annual monitoring reports for a period of two years after the conclusion of the program implementation period with the same type of information as presented in the semiannual progress reports.

2. Accounting and auditing

- 3.14 The executing agency will be accountable to the Bank for maintaining an administrative, financial and accounting system and setting up an internal control system for the administration and management of program resources. The envisaged system must: (i) clarify the sources and uses of program resources; (ii) maintain files of corresponding supporting information; (iii) facilitate preparation of the annual and semiannual financial reports required by the Bank; (iv) keep detailed records of disbursement requests presented and corresponding supporting documentation; (v) maintain separate bank accounts for the administration of Bank loan proceeds and counterpart funding.
- 3.15 The executing agency will be required to submit a financial report on the use and balance of the revolving fund 60 days from the close of the six-month period ending 30 June and 31 December of each fiscal year.
- 3.16 The CGR will be required to submit annual program financial statements audited by a private firm of independent auditors acceptable to the Bank. Such audits must comply with IDB auditing requirements. The financial statements are due 120 days after the close of each fiscal year (which will be understood to be the calendar year) throughout the program execution period.

IV. FEASIBILITY AND RISKS

A. Technical and institutional feasibility

- 4.1 The program design is in keeping with the strategic institutional strengthening plan for 2000-2005 developed under the direction of the Executive Board and familiar to and shared by CGR employees. Even as a collegial body, the Auditing Office Executive Board, is highly committed to ongoing reform efforts and to the proposed program, as it has been designed. Moreover, there is a real sense of ownership on the part of all parties involved in the program, with major stakeholders and CGR officials involved and actively consulted in establishing the scope and details of program activities, designing and developing the logical framework for the program and drafting the project report.
- 4.2 The Auditing Office's functional and administrative independence is guaranteed by the constitution and it has the authority to promulgate its own internal regulations and organize its work. Envisaged changes under the proposed program do not require the amendment of any legislation and the current legal framework is deemed adequate for purposes of the targeted reforms.
- 4.3 Lastly, Nicaragua's new government has the political will to "support and expedite modernization of the CGR to make it more democratic, more participatory and more professional."⁷

B. Financial feasibility

- 4.4 The program's financial feasibility was assessed from the standpoint of the ability of the CGR to secure the counterpart funding required for program execution. The inclusion of necessary counterpart funding for the first year of program execution in the nation's general budget for 2002 has already been confirmed. Furthermore, by letter dated 7 March 2002 the Ministry of Finance and Public Credit has confirmed to the Bank team that budget estimates for the period 2003-2006 will include sufficient resources to cover Nicaragua's counterpart funding obligations under the loan contract, ensuring the commitment of US\$0.6 million in counterpart funding over a four-year period, in line with the disbursement schedule.

C. Environmental impact

- 4.5 The program is environmentally feasible in the sense that it will produce no adverse impact on the environment. On the contrary, in keeping with the new importance attributed to environmental issues in Nicaragua, it will help promote

⁷ From the address by Enrique Bolaños Geyer upon being sworn into office as Nicaragua's new President on 10 January 2002.

environmental protection by developing and instituting environmental auditing operations such as management audits of government environmental protection agencies, environmental impact assessments and follow-ups of recommendations designed to mitigate harmful environmental effects of government projects.

- 4.6 As far as its social impact is concerned, program execution is expected to help improve the use of public resources, reflected in the delivery of quality public services. The program's different information and outreach activities should help facilitate public participation in overseeing the operations of government agencies.

D. Benefits

- 4.7 Modernization of the CGR will help strengthen its capacity to ensure technical, timely, efficient, transparent oversight of State property and resources. Bolstering reorganization and management reform efforts within the CGR will maximize the effectiveness of working procedures, producing a holistic vision of the oversight process, balance the efforts and resources of its different units, optimize the use of available human resources and streamline and improve the efficiency of administrative formalities. It will also give the CGR a flexible organizational structure which can be easily adapted to any future growth, changes and challenges. The dissemination of information on the institutional values of the CGR, the progress of modernization efforts and outputs from its oversight activities will be an incentive for the CGR to achieve its objectives and fulfill its responsibilities in the context of transparency.
- 4.8 Program activities to strengthen human resource management and training will improve staffing and help ensure that performance is more in line with employee skills. They will also help motivate staff members, make their job performance more efficient and help ensure that they quickly assimilate new working methods and procedures.
- 4.9 The activities to strengthen the control mechanisms will help improve the efficiency of the CGR in conducting the growing number of audits and investigations required and help it develop new control procedures for such duties as audits of computer systems, environmental systems and others in accordance with new developments in the agencies it oversees. Likewise, the installation of computer systems bolstering its technical, administrative and oversight activities will help expedite its work, strengthen its management capacity and promote greater internal integration and exchanges with its main outside stakeholders.
- 4.10 Lastly, the program has a comprehensive design, encompassing all major areas of the CGR, with a long-range vision of the agency, thereby ensuring continuity, sustainability and a solid foundation for meeting the challenges of a constantly changing oversight environment.

E. Risks

- 4.11 Modernization efforts generally run up against natural resistance to change on the part of staff. To mitigate this type of risk, the program includes outreach activities to inform CGR personnel of developments throughout the entire modernization process to help them better identify with the reforms. It also provides for the formulation and implementation of an internal and external outreach strategy for disseminating information on the core values of the CGR and the outputs of its government oversight activities.
- 4.12 The introduction of new information technology in support of management, administrative and oversight procedures may also cause some resistance to change. However, the program includes training for staff in areas relevant to their respective fields of expertise throughout the program execution period, as well as the establishment of a continuing training system.

LOGICAL FRAMEWORK
MODERNIZATION PROGRAM OF THE GENERAL AUDITING OFFICE

DESCRIPTIVE SUMMARY	PERFORMANCE INDICATORS	MEANS OF VERIFICATION	MAJOR ASSUMPTIONS
efficient and effective oversight of the Administration.	<ul style="list-style-type: none"> 100% of all government agencies subject to oversight are audited by the CGR. 100% of all recommendations and decisions are implemented within 5 years from the conclusion of the project. 	<ul style="list-style-type: none"> CGR newsletters Internal auditing reports by audited agencies 	<ul style="list-style-type: none"> Required resources for the operation of the system of oversight in public administration continue to be made available.
of the CRG at a high level.	<ul style="list-style-type: none"> Achievement by the CGR of 100% of all yearly targets by the end of the 4-year project execution period. Tangible improvement in outside perceptions with respect to the successful operation of the CGR as of the first year of project execution. 	<ul style="list-style-type: none"> CGR newsletters Regular surveys 	<ul style="list-style-type: none"> There is a willingness of audited agencies to implement recommendations by the CGR. The media is amenable to publishing reports by the CGR.
ent organizational and management structure in place.	<ul style="list-style-type: none"> "X" number of management professionals recruited and on the job. New structure and performance-based management system in line with the strategic plan. 100% of all staff members are familiar and satisfied with the new human resource management system within the first six months of the project execution period. New operating procedures instituted and working efficiently by the end of the first year of the project execution period. 	<ul style="list-style-type: none"> In-house professional staff Annual plans of different units and departments Performance data Institutional survey 	<ul style="list-style-type: none"> All job positions in the organization chart are filled according to established profiles. The various components of the system of oversight in public administration within the country in audited agencies agree to coordinate their operations.

DESCRIPTIVE SUMMARY	PERFORMANCE INDICATORS	MEANS OF VERIFICATION	MAJOR ASSUMPTIONS
<p>Strengthened control mechanisms.</p> <p>Training center established and operational.</p> <p>Technology platform established and operational.</p>	<ul style="list-style-type: none"> 100% of all handbooks and procedures are in use and completion times are cut by 50%. The number of Board-approved audits is up by 30% a year. The annual auditing plan is fully achieved by the end of the project execution period. At least 60% of all internal units are successfully evaluated in the first year of the project implementation period. 100% of all agencies are familiar with, institute and adhere to the technical internal control standards within a period of one year from the date of their approval. A minimum of three pilot audits are conducted in each of the following specialized areas: forensic, environmental, comprehensive and electronic data processing audits. A minimum of 90% of CGR and internal auditing unit personnel are trained according to the established schedule by the end of the program implementation period. Networking of 100% of all CGR personnel for information sharing purposes within a period of one year from the date of procurement of the new technology. 	<ul style="list-style-type: none"> Annual auditing plans and reports CGR management reports Annual reports by the CGR internal auditing unit Project monitoring report Publication of reports on the new types of audits Evaluation reports on trained personnel Reports on training needs Reports by personnel taking part in training activities Report on system operation Monitoring reports Surveys Number of web site hits 	<ul style="list-style-type: none"> The oversight agencies are expected to take part in the pilot activities. No staff members are expected to be absent from training activities. The CGR staff is committed to support the modernization program.

DESCRIPTIVE SUMMARY	PERFORMANCE INDICATORS	MEANS OF VERIFICATION	MAJOR ASSUMPTIONS
<p>Output 1:</p> <p>Review of the current organizational structure.</p> <p>Design of a new organizational structure, establishment of the responsibilities and work load of the unit.</p> <p>Development of internal operating procedures, standards and procedures.</p> <p>Design and implementation of a strategic planning and performance management system and monitoring performance management system.</p> <p>Establishment of indicators for monitoring and evaluation purposes.</p> <p>Design and implementation of a document processing and management information system.</p> <p>Comparative study of different models for effective financial and administrative autonomy.</p> <p>Design and implementation of a communications strategy.</p> <p>Design and installation of an information system for internal/external communications.</p>	<p>US\$1.8 million</p>		

RIPTIVE SUMMARY	PERFORMANCE INDICATORS	MEANS OF VERIFICATION	MAJOR ASSUMPT
<p>/implementation strategic resource management plan.</p> <p>ation of human resource s. development of personnel ement procedures.</p> <p>on and adaptation of a human ce and financial planning and ement information system.</p> <p>t 2</p> <p>y and updating of GAS and</p> <p>pment of auditing guides.</p> <p>pment of technical guides for</p> <p>ination of technical guides to</p> <p>pment of guides for the n and evaluation of IAU ons.</p> <p>on of a planning. monitoring diting information system.</p> <p>mentation of the information .</p> <p>ement of auditing software.</p> <p>ct of introductory courses on l control standards for IAUs.</p> <p>t 3:</p> <p>ment of training needs.</p> <p>of training programs and ures.</p> <p>r training.</p>	<p>US\$0.6 million</p> <p>US\$1.6 million</p>		

DESCRIPTIVE SUMMARY	PERFORMANCE INDICATORS	MEANS OF VERIFICATION	MAJOR ASSUMPTIONS
<p>ation of the library and ement of technical reference als.</p> <p>ling of existing facilities.</p> <p>t 4:</p> <p>ation of a strategic plan.</p> <p>ling of the information logy unit, electric power surge protection.</p> <p>ation of additional network .</p> <p>ement.</p> <p>ies:</p> <p>pment of internal and l communications standards cedures.</p> <p>entation of an internal ns and information system ing data on institutional nance, outputs and initiatives.</p> <p>shment of a regular meeting le for CGR officials.</p> <p>shment of an agency-wide ked information system.</p> <p>cturing of the mail office for cient sorting and delivery of</p> <p>ct of regular inter-agency gs with the following older network: a) the donor nity; b) regional oversight es; c) the Public Prosecutor's d) the Judiciary; e) the atic corps and accredited</p>	<p>US\$1.2 million</p>		

DESCRIPTIVE SUMMARY	PERFORMANCE INDICATORS	MEANS OF VERIFICATION	MAJOR ASSUMPTIONS
<p>Additional organizations based in the country; and f) other agencies working closely with the CGR.</p> <p>Revision of agreements and organization of events, seminars, workshops, forums and other information and technical cooperation activities with the external agencies and organizations.</p> <p>Review of regulations governing selection and hiring of firms of accountants.</p> <p>Review of government auditing standards.</p> <p>Review of the Government Accounting Handbook (GAH).</p> <p>Development and updating of specialized auditing guides (for municipalities, tax authorities, government investments).</p> <p>Review, publication and implementation of regulations on internal government for CGR personnel and government auditors.</p> <p>Review and procurement of new computer software (specialized accounting programs).</p> <p>Information and training on modern instruments.</p> <p>Assessment of training needs.</p> <p>Recruitment of qualified personnel.</p> <p>Establishment of a management and information system for internal auditing</p>			

DESCRIPTIVE SUMMARY	PERFORMANCE INDICATORS	MEANS OF VERIFICATION	MAJOR ASSUMPTIONS
<p>Strengthening of internal auditing management (human resources technology).</p> <p>Revision of policies, standards and procedures for internal auditing operations.</p> <p>Development of technical guides for internal auditors.</p> <p>Revision of system documentation with internal auditors.</p> <p>Revision and training on the new system.</p> <p>Revision of a strategic human resource management plan for the next five years.</p> <p>Revision of human resource management policy.</p> <p>Development of an integrated human resource management information system.</p> <p>Revision and implementation of a monitoring performance information system.</p> <p>Development of an employee evaluation and incentives system.</p> <p>Revision of a training plan for internal human resource management system administration.</p> <p>Revision of a plan for the development of appropriate technology infrastructure in support of HR management and operating systems.</p>			

DESCRIPTIVE SUMMARY	PERFORMANCE INDICATORS	MEANS OF VERIFICATION	MAJOR ASSUMPTIONS
<p>Establishment of an agency-wide network with Internet access linking local CGR headquarters.</p> <p>Installation of server infrastructure and support of CGR management and accounting systems.</p> <p>Installation of an agency-wide all-electronic mail system.</p> <p>Standardization of the use of office automation programs by all CGR offices and local headquarters.</p> <p>Implementation of a training plan to familiarize CGR personnel with the newly acquired technology.</p> <p>Establishment of a standard database and support of the installation of new management and operating software.</p> <p>Implementation of a training plan.</p> <p>Establishment of a continuing training facility to meet internal and external training needs.</p> <p>Establishment of an internship program with other OLACEFS-linked SAIs.</p> <p>Establishment of a monitoring unit and implementation of a national control system.</p> <p>Establishment of a technical investigation and development unit.</p> <p>Compilation of technical bibliographic references.</p>			

MODERNIZATION PROGRAM OF THE GENERAL AUDITING OFFICE

Procurement plan (estimate) (US\$ 000)

Major Procurements	Amount	Financing		Type of procedure	Prequalification	Tentative date (quarter)
		IDB	LC			
1.-Organizational structure	1,638	1,608	30			
1a.-Consulting firms	566	566		ICB	YES	I 2003
1b.-Consulting firms	100	100		LCB	YES	III 2002
1c.- Individual consultants (average monthly contract US\$ 8.000)	76	76		CSP	NO	III 2002
1d.-Equipment	896	866	30	ICB	YES	II 2003
2.-Strengthening of control mechanisms	581	520	61			
2a.-Consulting firms	260	260		ICB	YES	II 2003
2b.-Individual consultants (average monthly contract US\$ 4.000)	24		24	CSP	NO	IV 2003
2c.-Equipment	297	260	37	LCB	NO	I 2003
3.-Training structure	1,452	1,377	75			
3a.-Consulting firms	283	283		ICB	YES	I 2003
3b.-Individual consultants (average monthly contract US\$ 2.400)	869	824	45	CSP	NO	III 2003
3c.-Equipment	300	270	30	LCB	NO	I 2003
4.-Tecnology infrastructure	1,103	1,028	75			
4a.-Equipment	951	876	75	ICB	YES	II 2003
4b.-Consulting firms	152	152		ICB	NO	I 2004
5.-Executing unit	428	150	278			
5a.-Individual consultants (average monthly contract US\$1.500)	428	150	278	CSP	NO	III 2002

Abbreviations:

LC Local contribution
LCB Local competitive bidding
ICB International competitive bidding
CSP Competitive selection procedure

PROPOSED RESOLUTION

NICARAGUA. LOAN ____/SF-NI TO THE REPUBLICA DE NICARAGUA
Program for the Modernization of the Contraloria General de la República

The Board of Executive Directors

RESOLVES:

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 contract or contracts as may be necessary with the República de Nicaragua, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a program for the modernization of the Contraloria General de la República. Such financing will be for the amount of up to US\$5,400,000, or its equivalent in other currencies, except that of Nicaragua, which are part of the resources of the Bank's Fund for Special Operations, and will be subject to the "Special Contractual Conditions" and the "Financial Terms and Conditions" of the Executive Summary of the Loan Proposal.