

Public Utilities Reform Program

NICARAGUA

SECTOR: Public Sector Reform

NAME OF PROJECT: Public Utilities Reform Program
(933/SF-NI; ATN/SF-4724-NI)

TOTAL COST: \$120.2 million

FINANCING:

| | |
|-------|-----------------|
| IDB | \$120.0 million |
| LOCAL | \$285,000 |

DATE OF APPROVAL: November 23, 1994

GENERAL DESCRIPTION: The objectives of this program are to: (a) devise and implement sectoral policies that will help further the government's ongoing programs for structural adjustment and recovery of the productive sectors; and (b) improve the efficiency of the sectors by setting in place regulatory frameworks and institutional structures that will attract private enterprise to help generate investment.

The program will assist in the restructuring of the current combined utility company/ministries that dominate the energy, water supply and sewerage, and telecommunications sectors. It will also establish a new statutory and institutional framework in each sector to open it up to private enterprise and permit the sustainable development of resources.

The technical cooperation will include the following elements: (a) support for the Program Coordination

Unit (PCU); (b) support for the Environmental Measures Implementation Program; (c) an energy component to furnish advisory services in the oil, gas and electricity subsectors and for energy efficiency; (d) a water supply and sewerage systems component; (e) a telecommunications component; and (f) a component for harmonization of the administrative structure.

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CONSULTANTS:

Three local consultants will be hired (a coordinator and two technical experts) to oversee this technical cooperation. This program will also finance individual consultants or consulting firms with international experience in the six components of the program. For the environmental monitoring component (\$1,704,000), consultants will be hired to: equip and train sectoral environmental units; develop environmental standards and procedures; support environmental zoning for hydrocarbon exploration and development; design a pilot environmental education program; conduct a study on environmental tariff policy; and implement environmental monitoring plans in the energy, water and sewerage, and telecommunications sectors. Consultants will be required for the electricity and energy efficiency component (\$2,100,000) to: design pilot energy substitution and efficiency programs for homes; develop a strategy and pilot programs to increase fuelwood supply and improve forestry management; design a pilot program featuring use of compact fluorescent lights; strengthen capabilities for energy efficiency study and analysis in industry and businesses; design an electricity loss reduction and control program and a commercial management system. The hydrocarbon component (\$250,000) will utilize consultants to: design an emergency program; and provide support advisory services on price structure as well as on organizational structure and profiles for the hydrocarbons unit.

For the telecommunications component (\$50,000), consultants will be needed to: provide advisory services to anticipate medium-range needs of the sector; and recommend a specific organizational structure and detailed functions and procedures for an eventual planning department for the sector. The water supply and sewerage component (\$1,890,000) will require consultants to conduct a feasibility study on regional utility companies in the area of rural water supply systems. The administrative structure harmonization component (\$50,000) will require consultants to analyze and quantify the costs and benefits of preliminary proposals as to the location of the regulatory agencies and planning departments within the government's present administrative structure. Each technical cooperation component will take two years at the most.

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GOODS AND EQUIPMENT: Office equipment will be required, including computer hardware and specialized business software. Price quotations are being sought from three vendors.

EXECUTING AGENCY: Public Utilities Sector Reform Commission
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