

## DONORS MEMORANDUM

### NICARAGUA: SUPPORT FOR THE RESTRUCTURING OF ENEL AND THE INTRODUCTION OF THE PRIVATE SECTOR

(TC-98-03-32-2)

(TC-98-03-38-0)

## EXECUTIVE SUMMARY

**EXECUTING AGENCY:** Unidad de Restructuración de ENEL (URE) for first and third components.  
Secretaría Ejecutiva de la Comisión Interministerial de Competividad (SECIC) for second component.

**BENEFICIARY:** Republic of Nicaragua (GoN)

**OBJECTIVES:** The objective of the program is to provide support for the restructuring of Empresa Nicaragüense de Electricidad (ENEL) and for the privatization of the companies created in the restructuring.

**DESCRIPTION:** The program would provide funds (i) for hiring the various firms of advisers which will be needed for the restructuring and privatization of ENEL; (ii) for hiring consultants needed by the SECIC and for training costs; and (iii) for hiring the principal consultant to the URE and for training costs.

<b>FINANCING:</b>	Grant:	US\$1,306,000
	Contingent Recovery:	US\$1,300,000
	TOTAL MIF:	US\$2,606,000
	Local Counterpart	US\$ <u>870,000</u>
	TOTAL:	US\$3,476,000

**SPECIAL CONTRACTUAL CONDITIONS:** Part of the proposed MIF program would be funded on a contingent recovery basis. A special condition will be included in the contract whereby GoN will undertake to include in the bidding rules for the sale of shares in the privatized companies a requirement for the winning bidders to pay an appropriate amount, so that this element is repaid to MIF following the sale of shares in the companies to be privatized. It is anticipated that GoN will first privatise the distribution companies, in which case MIF could be reimbursed out of the proceeds of sale of shares in those companies. If GoN decides to privatise the generation companies as well, the sum recovered on sale of the distribution companies would first be available towards payment of the fees of the advisers for work on privatising the generation companies also on a contingent recovery basis.

The URE is in the process of being formally established by Presidential Decree. The Bank will require the Decree to have been passed prior to signature of the contract with GoN.

**EXCEPTIONS TO  
POLICIES:**

It is anticipated that if so requested by the URE, the consulting firms may be selected by either of two alternative methods of determining the outcome of a competitive bidding process: the "minimum cost" method or the "quality-based" procedure. Either procedure is permitted if the executing agency asks to use it instead of the standard procedure. Under both procedures, a minimum acceptable technical level is established and notified in advance to participating firms. Technical proposals are opened first and evaluated. Those firms that do not reach the minimum acceptable technical level are eliminated. Under the minimum cost procedure, the economic offers of the rest are then considered and the firm proposing the lowest cost wins. Under the quality based procedure, selection is by a weighted evaluation of both the technical proposal presented by those who reached the required technical level and the price offered by them. Bidders will be notified in advance of the procedure to be used.

**ELIGIBILITY  
MEMORANDUM:**

The MIF Eligibility Memorandum for the proposed program was issued on 9th April 1998.

## I. ELIGIBILITY

### A. Country Eligibility

- 1.1 The Donors' Committee declared Nicaragua to be eligible for all forms of MIF financing on June 7<sup>th</sup>, 1994.

### B. General Project Eligibility Criteria

- 1.2 The Technical Cooperation (TC) project is designed to support and encourage efforts to achieve significant private sector participation in the electricity sector. It is therefore consistent with the general objective of MIF to strengthen private sector investment and involvement as a means of accelerating growth and social development within Nicaragua.

### C. Project Eligibility under the Technical Cooperation Facility

- 1.3 Under the Technical Cooperation facility, Multilateral Investment Fund (MIF) provides finance for "advice on the design and implementation of privatization programs, including advice on the valuation and techniques for privatizing particular enterprises". The proposed program falls squarely within this description.

### D. Eligibility Memorandum

- 1.4 The MIF Eligibility Memorandum for the proposed program was issued on 9th April 1998.

## II. BACKGROUND

### A. The electricity sector

- 2.1 The electricity system in Nicaragua is operated by ENEL. Maximum demand in 1997 reached 360 MW while effective available capacity was at best 350MW. The system is at present therefore operating with no reserve capacity. This has resulted in rationing of supplies at times of peak demand. The position would have been even worse but for the interconnections to neighboring countries, which have allowed electricity supplies to be purchased from Costa Rica, Panama and Honduras, albeit at high prices. Furthermore, the problem has been exacerbated by the effects of El Niño. The resulting drought has caused a reduction in hydroelectric capacity which affects not only Nicaragua but the neighboring countries from which it might otherwise continue to buy electricity.
- 2.2 ENEL's financial position is adversely affected by weaknesses in billing and collection, electricity losses from illegal connections and from technical weaknesses, especially in the distribution system, together with many years of under-investment. Past political interference in the management of ENEL has also contributed.
- 2.3 The overall tariff levels are adequate and reflect long-run marginal cost. However, the tariff structure is unbalanced and requires significant adjustments to be made. A proposal by GoN to rectify the tariff structure in stages over a period of four years was recently agreed with the Bank.

- 2.4 With a private sector generation plant of 30MW and a second plant whose installed capacity of 24 MW falls far short of the 70MW expected, there has previously been little private sector involvement in electricity provision. ENEL has recently concluded a public bidding process for the construction of a new 50 MW plant at Tipitapa and is in negotiation for another 50 MW plant. Nevertheless, this private sector involvement, limited to electricity generation, falls short of what is needed for the sector.

B. Reform of the electricity sector

- 2.5 In 1994, the Bank approved a program (Public Utilities Reform Program (PRESP)) of support for the reform of the public energy utility and of the telecommunications and water/sewerage utilities. The objectives of the program were the separation of the functions of planning, regulation and operation; improvement of their financial situation through the introduction of tariff policies allowing costs to be covered and the elimination of cross-subsidies; and the encouragement of private sector participation.
- 2.6 Instituto Nicaragüense de Energía (INE), which previously performed the functions of planning and operation for both the electricity and hydrocarbons sectors, was restructured with the support of the program. The operational functions of electricity generation, transmission and distribution were transferred to a newly created company, ENEL. The Bank provided further support to GoN in the preparation of new laws for the relevant sectors, including an Electricity Law and a law to transform INE into a regulator for the energy sector. These laws were recently approved by Congress.
- 2.7 The present government has affirmed its commitment to the reform program and decided to make more profound changes to the electricity industry. It decided to restructure ENEL into separate companies for electricity generation, transmission and distribution, in accordance with the new regulatory framework, and to proceed in the short term to privatize first the resulting distribution companies and then the generation companies. Transmission is expected to remain in the public sector.

III. PROJECT OBJECTIVES AND BASIC COMPONENTS

A. Objectives

- 3.1 The objective of the proposed program is the restructuring of ENEL and the privatization of the resulting electricity distribution companies. It is proposed that the MIF TC's (under Technical Cooperation Facility, Facility 1) would be used to meet the fees of the various firms of advisers required by ENEL for the implementation of the restructuring of ENEL and the privatization of the resulting companies; and to meet the fees of the individual advisers to the privatization secretariat (SECIC) and ENEL restructuring unit (URE) (see 4.2 and 4.3 below). TC-9803322 would comprise grant monies with counterpart funding; TC-9803380 would be on a contingent recovery basis as explained in 5.3 and 5.4 below.
- 3.2 GoN expects to privatize the electricity distribution companies first. However, it is proposed to structure the proposed technical cooperation so as to allow also for the privatization of the generation companies,

if GoN were to decide to proceed also to privatize those companies. The contingent recovery mechanism proposed is expected to facilitate this.

B. Basic Components

(i) First Component

- 3.3 In order to carry out the privatization, ENEL needs to hire a number of firms of advisers. First (Phase One) ENEL needs an advisory firm to advise on how to divide ENEL - the number of new business units, a scheme for the allocation of assets and employees to those units, the commercial arrangements to apply between those units, etc; and to propose a strategy for privatization, including timing and the form of privatization, in particular whether this should be by capitalization (issue of new shares) or sale of existing shares. The work of the advisory firm during Phase I will be funded by resources available under Bank program ATN/SF-4724.
- 3.4 The proposed MIF program would fund the work which follows. Once the strategy has been decided by GoN, ENEL will need (Phase Two) firms of advisers to carry out the restructuring and the privatization. These would include a strategic adviser, an investment bank, local and international law firms, a valuation adviser and an environmental consultant. The fees of the investment bank, international law firm and environmental consultant would be on a contingent recovery basis as mentioned in paragraph 5.3. The scope of the work is briefly described in paragraphs 3.5 through 3.8. To ensure coordination of the work, and to minimize the burden to URE of coordinating the work of the various advisers, it is anticipated that the firms may be hired as a consortium.
- 3.5 The strategic adviser will advise on carrying out the restructuring: allocation of specific assets and personnel to the new companies, treatment of ENEL's debts and other liabilities, implications of GoN's tariff policy and how to deal with any subsidies required; prevention of monopolies and anti-competitive practices; and employee participation in the companies to be privatized.
- 3.6 The investment bank will work on the implementation of the privatization strategy decided on: optimizing the structure of the companies to be sold, for example balance sheet structuring, so as to achieve the objectives of GoN; marketing the shares to be sold, through the issue of an information memorandum to prospective bidders, who will be identified with the help of the investment bank; and in the valuation of the shares to be sold, so as to enable GoN to determine a base (ie minimum acceptable) price for the shares.
- 3.7 Among the areas requiring legal advice from local and international legal advisers will be the statutes of the new companies, the procedures for and implications of the transfers of assets to and assumption of liabilities by the new companies, investigation of title to assets, structuring of the sale documents, including the bidding rules, the concessions to carry on electricity distribution business to be awarded to the new companies, the contracts between the new generation and distribution companies and the structuring of the auction for the sale of shares.

- 3.8 A valuation advisory firm will also be needed to value the assets of ENEL to be transferred to the new companies. The environmental consultant will carry out an environmental audit of those of ENEL's facilities which are to be privatized.

(ii) Second Component

- 3.9 Consultants will also be required to support the SECIC. The SECIC has been established as the executive body for coordination and supervision of GoN's entire privatization program. The SECIC will be critical in ensuring that GoN's privatization policy is implemented, in accordance with the agreed timetable. To assist the SECIC in this task it will need (on a part time but regular basis) a consultant who has experience in working in a similar privatization agency (so as to help the SECIC stamp its authority on the privatization process and establish appropriate operating procedures), and a consultant with experience in the electricity sector (who can not only treat with the URE on at least equal terms technically but can also supervise the complementary work for the creation of the new electricity market). There will also be a need for training of the SECIC staff.

(iii) Third Component

- 3.10 The URE, under an Executive Director appointed and to be paid by GoN, has been established within ENEL as the unit responsible for carrying out ENEL's restructuring and privatization. In order to perform efficiently, the URE will need to have the benefit of lessons learned in earlier electricity privatizations. For this, ongoing access to a consultant with experience in the restructuring and privatization of an electricity utility will be required. This component will therefore support the hiring of a principal external adviser to the URE, on a part time but regular basis, an arrangement which has worked well in other MIF-supported operations. The consultant will assist the CIC, SECIC and URE in these tasks and in coordinating the work of the various firms of advisers. There will also be a need for training of the URE staff.
- 3.11 Since there are no consultants in Nicaragua who have experience in a privatization agency (second component) or in carrying out an electricity privatization (third component), the project budget includes the necessary amount for flights and for hotel expenses in Nicaragua.

**IV. EXECUTING AGENCY AND MECHANISM AND BENEFICIARIES**

- 4.1 GoN has established the CIC chaired by the Minister of the Presidency and including other key Ministers, to supervise and coordinate privatization strategies and policies on behalf of GoN and to ensure consistency in the strategies for privatization of state-owned enterprises and private sector participation in infrastructure services provision.
- 4.2 GoN has also established the SECIC, reporting to CIC, to implement the policies and strategies defined by CIC. The SECIC has hired a full-time Executive Director and is in the process of hiring consultants to assist the executive director.

- 4.3 The URE is the restructuring unit within ENEL responsible for carrying out the restructuring and privatization of ENEL within the framework defined by the SECIC. The URE will report to the SECIC. The SECIC will ensure that the restructuring and privatization of ENEL are carried out in accordance with the policies and strategy determined by the CIC. The consultant with experience in the establishment and operation of a privatization agency like the SECIC will help the SECIC to establish procedures for supervising the work of the URE. The URE is already functioning and has office accommodation within ENEL. An executive director of the URE has been appointed along with a small staff.
- 4.4 The URE is currently in the process of selecting the advisory firm for the Phase I work. A short list was prepared from those firms which responded to a notice inviting firms to send expressions of interest. The shortlisted firms have been invited to take part in an international competitive bidding.
- 4.5 The URE will be the executing agency for the first and third components of the program and the SECIC will be the executing agency for the second component. GoN will be the beneficiary of the proposed program.

#### V. COST AND FINANCING AND DISBURSEMENT

##### A. Cost and financing

- 5.1 A summary of proposed costs and financing is set out below.

TABLE V-I. Project Budget (US\$ 000's)				
	MIF		COUNTER PART	TOTAL
	GRANT	C.RECOV		
<b>COMPONENT I: Restructuring and Privatization of ENEL</b>				
1. Investment bank, fixed fee	-	500	-	500
2. International law firm	-	700	-	700
3. Strategic advisory firm	300	-	-	300
4. Valuation advisory firm	200	-	-	200
5. Local law firm	100	-	100	200
6. Environmental consultancy	-	100	-	100
<b>TOTAL FIRST COMPONENT</b>	<b>600</b>	<b>1,300</b>	<b>100</b>	<b>2,000</b>
<b>COMPONENT II: Advice and training for the SECIC</b>				
1. Cost of hiring advisors	288	-	-	288
2. Training for SECIC personnel	70	-	-	70
3. Establishment and operating costs of SECIC	-	-	300	300
<b>TOTAL SECOND COMPONENT</b>	<b>358</b>	<b>-</b>	<b>300</b>	<b>658</b>
<b>COMPONENT III: Advice and training for the URE</b>				
1. Cost of hiring principal consultant, travel and expenses	228	-	-	228
2. Training for URE personnel	70	-	-	70
3. Establishment and operation of URE	-	-	470	470
<b>TOTAL THIRD COMPONENT</b>	<b>298</b>	<b>-</b>	<b>470</b>	<b>768</b>
<b>Unforeseen expenses</b>	<b>50</b>	<b>-</b>	<b>-</b>	<b>50</b>
<b>PROJECT TOTAL</b>	<b>1,306</b>	<b>1,300</b>	<b>870</b>	<b>3,476</b>

- 5.2 The amounts mentioned in Table V-1, First Component, are estimates based on experience of similar electricity privatizations. The actual amounts will depend on the winning bid of the firms to be awarded the work following a competitive bidding process.
- 5.3 The investment bank usually receives a fixed fee plus a success fee calculated as a percentage of the proceeds of the sale of shares of the companies privatized. The success fee of the investment bank will be paid to the investment bank out of the proceeds of the sale. It is proposed that the fixed fee of the investment bank should be funded on a contingent recovery basis. A similar contingent recovery arrangement is also proposed for the fees of the international law firm and the environmental consulting firm. It is proposed to use contingent recovery for these fees since they include the largest individual amounts and since further work from those firms is most likely to be needed if GoN proceeds also to privatize the generation companies (see paragraph 5.4).
- 5.4 The contingent recovery mechanism for the proposed technical cooperation program would enable MIF to be repaid out of the proceeds of the sale, provided it goes ahead. A provision to that effect would be included in the bidding rules for the companies to be privatised. It is anticipated that GoN will first privatise the distribution companies, in which case MIF could be reimbursed out of the proceeds of sale of shares in those companies. If GoN decides to privatise the generation companies as well, the sum recovered on sale of the distribution companies would first be available towards payment of the fees of the advisers for work on privatising the generation companies also on a contingent recovery basis.
- 5.5 The local counterpart funding will comprise part of the cost of hiring the local law firm; the costs to ENEL of implementing the privatization: the hiring of local advisers and purchase of equipment for the URE, telecommunications costs, etc., estimated on the basis of a preliminary budget at \$470,000; and the costs to GoN of establishing the SECIC, estimated at \$300,000. The SECIC and URE have been asked to provide detailed estimates and breakdown of projected costs as a condition of first disbursement.

B. Disbursements

- 5.6 The TC funds for all three components will be disbursed over a period of up to 24 months, following procedures established by the Bank.

VI. PROJECT JUSTIFICATION AND RISKS

- 6.1 The proposed TC will fund a critical step in the Bank's and MIF's strategy to support Nicaragua in bringing private sector capital and expertise to Nicaragua's electricity sector. This is expected to improve the efficiency of the sector, to help Nicaragua provide for existing and expected future energy demands and to reduce the need for public funding of the sector.
- 6.2 The proposed program is consistent with the strategy and programs of the Bank. The PRESP program (NI-0041) has as its principal objectives for the electricity sector the introduction of private sector participation and rationalization of the tariff structure. This TC program supports the restructuring of ENEL for the purpose of attracting the private



sector and the privatization of the resulting electricity companies. The work for the creation of the regulatory framework and for the design of the electricity market is being supported by existing MIF program AT-45. Finally, the Bank's program (NI-0069) for the rehabilitation and expansion of the electricity system has been refocused so as to support necessary investments by the transmission company to be formed in the restructuring of ENEL.

- 6.3 The principal risks are (i) that GoN decides not to implement a privatization, or does not take the steps necessary to move the process forward with sufficient speed and determination to allow the privatization to be carried out during the present administration's term of office; and (ii) that the units established (SECIC, URE) will prove not to have sufficient capacity to implement the program. To minimize the first risk, the Bank will continue closely to monitor the process and will have periodic meeting with the CIC, SECIC and the URE to review progress. Furthermore, the Bank has received a letter (Annex II) confirming GoN's commitment to the privatisation program. To minimize the second risk, appropriate support to the SECIC and the URE has been included as part of the proposed program. Furthermore, there will be a period during which an advisory firm is carrying out the work which precedes the work to be funded by this program. This will provide an opportunity to assess both GoN's commitment to ENEL's restructuring and privatization and the capacity of the SECIC and URE to supervise the process and to carry it out.

#### VII. PROJECT PERFORMANCE CRITERIA AND EVALUATION

- 7.1 The project will be supervised by the Bank's country office in Nicaragua in close coordination with the project team.
- 7.2 The results of this TC program will be evaluated in light of the objectives set out in Annex I-1, by reference to the expected outputs set out in that Annex. Since the principal objectives of the program are the restructuring and privatization of ENEL, it is appropriate to evaluate all three components by reference to progress in the achievement of those objectives. Therefore in respect of all three components, supervision will take into account the timetable and action plan prepared for the process.

#### VIII. EXCEPTIONS TO POLICIES AND PROCEDURES

- 8.1 It is anticipated that if so requested by the URE, the firms of advisers will be selected by one of two alternative methods of determining the outcome of a competitive bidding process: the "minimum cost" method or the "quality-based" procedure. Under both procedures, a minimum acceptable technical level is established and notified in advance to participating firms. Technical proposals are opened first and evaluated. Those firms that do not reach the minimum acceptable technical level are eliminated. Under the minimum cost procedure, the economic offers of the rest are then considered and the firm proposing the lowest cost wins. Under the quality based procedure, selection is by a weighted evaluation of a) the technical proposals of those firms which attained the minimum acceptable technical level or better, and b) the price offered by those firms. Technical merit would carry a weighting of 70% or 80% of total points available, with the balance being awarded on the basis of price.

As compared with the standard selection procedure, both the minimum cost and the quality-based procedure are quicker to complete and more responsive to price. As between the two, minimum cost focuses more on price and quality-based more on comparative technical quality, with both requiring a minimum acceptable technical level. These methods of determining the outcome of the bidding are permitted on request by the executing agency. Bidders will be notified in advance of the method to be used.

#### IX. SPECIAL CONTRACTUAL CONDITIONS

- 9.1 Part of the proposed program would be funded on a contingent recovery basis. A special condition will be included in the contract whereby GoN would undertake to include in the bidding rules a requirement for the winning bidder to pay an appropriate amount on the sale of shares in companies to be privatized, for possible repayment to MIF as described in paragraph 5.4.
- 9.2 The URE is in the process of being formally established by Presidential Decree. The Bank will require the Decree to have been passed prior to signature of the contract with GoN.

# SIMPLIFIED LOGICAL FRAMEWORK

## MIF- FACILITY I - NICARAGUA SUPPORT FOR THE RESTRUCTURING OF ENEL AND THE INTRODUCTION OF THE PRIVATE SECTOR

**Overall objective**  
Support GoN's program for the reform of public companies and the achievement of a significant private sector involvement in ownership and management in the electricity sector.

**Specific objective**  
Restructured into separate distribution, generation and transmission companies and at least the distribution companies privatized.

Components	Activities	Expected outputs	Dates
Restructuring and Privatization of ENEL	Advice from consortium in the restructuring of ENEL, including establishment of new companies, transfers of assets and liabilities, transfers of personnel..	Report on allocation of assets, personnel, etc. New distribution, generation and transmission companies defined in accordance with the agreed strategy	3/99 3/99
	Advice from valuation consultancy firm as to value of assets to be transferred to new companies.	Valuations completed.	7/99
	Environmental audit of distribution companies.	Environmental audit completed and report prepared.	7/99
	Advice from investment bank in relation to the strategy for sale of shares of the new companies.	Selling document (information memorandum) Bidding rules, share sale contracts prepared Shares offered for sale	3/99 7/99 10/99
Advice and Training for SECIC	Hiring of advisers with experience in the coordination and supervision of privatization programs and/or in the electricity sector.	Establishment and operational capability of the SECIC as the executing agency for privatizations generally and that of ENEL in particular	10/98
	Training for the SECIC personnel.	Coordination and supervision by the SECIC of the URE in the privatization of ENEL	10/98-12/99
Advice and Training for URE	Hiring of adviser with experience in the design and implementation of an electricity privatization.	Operational capability of the URE.	10/98
	Training for URE personnel.	Implementation of the restructuring of ENEL and privatization of the companies created in the restructuring	10/98-12/99



**Ministerio de Economía y Desarrollo**  
*Despacho del Ministro*

Managua, 17 de Julio de 1998  
GOBID-133-07-98

Señor  
MASTIN STABILE  
Representante  
Banco Interamericano de Desarrollo (BID)  
Managua

RECIBIDO  
SECRETARÍA DE LA PRESIDENCIA  
José J. Toruño J.  
21/7/98 7:30am.

Estimado Señor Stabile:

En referencia a su comunicación CNI 976/98 del 19 de junio del corriente año, y a solicitud del Ministro de la Presidencia y Presidente de la Comisión Interministerial de Competitividad (CIC), Licenciado Eduardo Montenegro R., deseo hacer de su conocimiento lo siguiente:

- 1) El Gobierno de Nicaragua mantiene su decisión de reestructurar la Empresa Nicaragüense de Electricidad (ENEL) y de proceder, en el curso del próximo año, a la privatización de, al menos, las empresas de distribución derivadas del proceso de reestructuración. Este proceso se está llevando adelante de acuerdo al cronograma de actividades adjunto (Anexo A) y que, en el marco de este programa, ya se ha procedido a la contratación del Asesor de Confianza, tal como estaba previsto.
- 2) Asimismo, es decisión de este Gobierno proceder de inmediato a la contratación de la firma consultora encargada de prestar asistencia para el diseño del modelo de reestructuración de la ENEL, la cual, entre otras, deberá hacer recomendaciones sobre las posibles alternativas de incorporación de capital privado a la ENEL, y los cursos de acción respectivos, en un plazo no mayor a 22 semanas. Esperamos en el curso de la próxima semana, anunciar la decisión en cuanto a la firma seleccionada. En una segunda etapa, se pondrán en marcha las asesorías legales y las de un Banco de Inversión para llevar adelante el proceso de incorporación del capital privado a las empresas sucesoras de la ENEL.

- 3) Para llevar adelante las tareas propias de la Secretaría Ejecutiva de la CIC (SECIC), previstas en el Dcto. No.16/98, se han definido tanto el presupuesto, el cual le fue remitido el 6 de mayo (Anexado a GOBID 089 04 98), como el organigrama de la misma (Anexo B). Asimismo, para llevar adelante las tareas ejecutivas del proceso de reestructuración y privatización de la ENEL, se ha definido el organigrama y el presupuesto operativo para 1998 de la Unidad de Reestructuración de la ENEL (URE-ENEL), el cual se adjunta (Anexo C), quedando pendiente aprobar, en su momento, el presupuesto operativo de la URE-ENEL para 1999.
- 4) Finalmente, deseo expresarle y confirmarle el interés del Gobierno de Nicaragua en que se promueva, a la brevedad posible, la Cooperación Técnica del FOMIN de apoyo a la reestructuración y privatización de la ENEL.

Sin otro particular, aprovechamos para saludarlo.

Atentamente,

  
NOEL J. SACASA CRUZ

Ministro

Gobernador del BID por Nicaragua



cc: Ingeniero Enrique Bolaños G., Vice-Presidente de la República y Presidente de la Junta Directiva de ENEL  
Miembros de la Comisión Interministerial de Competitividad  
Ingeniero Octavio Salinas, Presidente Ejecutivo ENEL  
Ingeniero Arturo Harding L., Secretario Ejecutivo CIC  
Ingeniero Salvador Quintanilla V., Director Ejecutivo URE



RGII-NI085T  
TC-98-03-32-2  
TC 98-03-38-0  
Original: Spanish

## PROPOSED RESOLUTION

### NICARAGUA. NON-REIMBURSABLE AND CONTINGENT RECOVERY BASIS TECHNICAL COOPERATION FOR THE PROGRAM TO SUPPORT THE RESTRUCTURING OF THE EMPRESA NICARAGUENSE DE ELECTRICIDAD AND THE INTRODUCTION OF THE PRIVATE SECTOR

The Donors Committee of Multilateral Investment Fund

#### RESOLVES:

1. That the President of the Inter-American Development Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Multilateral Investment Fund, to enter into such agreements as may be necessary with the Republic of Nicaragua, and to take such additional measures as may be pertinent for the execution of the project described in document MIF/AT- with respect to a technical cooperation to support the restructuring and privatization of the Empresa Nicaragüense de Electricidad (ENEL) and the Introduction of the Private Sector.

That up to the amount of US\$2,606,000, or its equivalent in other convertible currencies, is authorized for the purpose of this resolution, chargeable to the resources of the Technical Cooperation Facility of the Multilateral Investment Fund.

3. That up to US\$1,306,000 of the above-mentioned sum is to be provided on a non reimbursable basis and up to US\$1,300,000, to be used for the restructuring and privatization of the Empresa de Electricidad Nicaragüense (Component 1 of the project), is to be provided on a contingent recovery basis.