

TECHNICAL COOPERATION LOAN FOR
INSTITUTIONAL STRENGTHENING OF THE BANCO CENTRAL OF NICARAGUA
(NI-0087)

EXECUTIVE SUMMARY

BORROWER: Banco Central de Nicaragua

EXECUTING AGENCY: Banco Central de Nicaragua

AMOUNT AND SOURCE: IDB: US\$3,450,000 (Foreign currency of the SF)

Local counterpart funding: US\$350,000

Total: US\$3,800,000

TERMS AND FINANCIAL CONDITIONS: Amortization period: 40 years
Grace period: 10 years
Disbursement period: 3 years
Interest rate: 1 % during grace period;
2% for remaining 30 years of amortization period
Inspection and supervision: 1%
Credit fee: .5 %

OBJECTIVES: The objective of the proposed project is to strengthen the functions of the BCN that are directly related to its essential role as the central bank in maintaining the stability of the Nicaraguan currency. The operation is expected to strengthen the autonomy and technical capacity of the BCN in the areas of 1) economic programming, 2) international operations, and 3) financial management.

DESCRIPTION: The proposed operation has been designed in collaboration with the Statistics and the Monetary and Exchange Departments of the IMF as a second phase project of institutional support to the BCN. The specific activities to be carried out under the proposed program are organized in a matrix by the specific objectives of the program and presented in Annex III. The activities are programmed according to an action plan with expected results and corresponding completion dates. In general terms, the program consists of the following types of activities: (1) contracting of longterm advisors, (2)

contracting of short term consultants, (3) acquisition of computer equipment, (4) staff training, and (5) acquisition and installation of a technical resources library.

**ENVIRONMENTAL
CLASSIFICATION:**

The Environmental Management Committee, at its meeting of October 11, 1995, classified this as a Category II operation.

BENEFITS:

Successful completion of the program objectives will result in a central bank capable of conducting economic programming based on sound economic analysis. The development of BCN open-market operations and improvements in the administration of the currency and payments system will facilitate the modernization of Nicaragua's incipient banking sector and emerging capital market.

RISKS:

Successful modernization of the BCN depends ultimately on the commitment of top level management to establish the institutional structures necessary to facilitate coordinated economic analysis and programming. Successful completion of program objectives will also depend on the ability of the BCN to incorporate the action plan into the annual institutional work plan for the BCN. Presentation of the global work plan is thus included as a condition prior to first disbursement of program resources. Finally, the success of the BCN in fulfilling its role as the rector of monetary policy is subject to factors external to the central bank, particularly the performance of the state banks.

**THE BANK'S
COUNTRY STRATEGY:**

The technical support to the BCN, financed by the Bank in coordination with the IMF, has been a critical component of the GON's program of financial sector reform. The proposed operation is designed to strengthen the autonomy and capacity of the BCN to make and administrate monetary policy and protect the integrity of the payments system; as such the operation is consistent with the Bank's strategy for establishing the infrastructure required for private sector, export-led economic growth.

**EXCEPTIONS TO BANK
POLICY**

As in the first phase program, the IMF will function as a sole-source, specialized agency. The IMF Statistics and MEA Departments have a clear technical advantage in the strengthening of central banks and have an extensive network of consultants and professionals on which to draw in order to fill the positions defined in the proposed program. In addition, the IMF has a clear institutional advantage in that it can coordinate the technical assistance

provided by the technical departments of the IMF and the technical assistance provided in the program, and facilitate continuity between the objectives of the program and the economic plan defined in the ESAF agreement with the Government of Nicaragua (par. 3.10).

**SPECIAL
CONTRACTUAL
CONDITIONS:**

Prior to disbursement of program resources, the executing agency must (1) present evidence of an agreement between the BCN and the IMF in accordance with the terms described in paragraph 3.11, (2) present the annual work plan of the BCN that incorporates the program activities (par. 3.1), and (3) complete the installation of computer hardware required to initiate the implementation of phase II activities (par. 3.1).

In order to insure an efficient transition between the phase I and proposed phase II operation, resources of the program can be used to finance the purchase of goods and services for the period that begins twelve months prior to Board approval, but not prior to January 11, 1995, the date of the Government of Nicaragua's request for the program. The amount of resources used to finance expenses during this period is limited to US\$150,000 (par. 3.25).

POVERTY IMPACT:

The proposed operation provides institutional support to the Central Bank of Nicaragua. Accordingly, the operation does not meet any of the Bank's criteria for operations that directly reduce poverty.

I. BACKGROUND

- 1.1 In December 1991, the Bank approved the Programa de Reforma del Banco Central de Nicaragua (BCN) (ATN/TC 3885) with the objective of re-engineering the BCN as a modern Central Bank in a market economy. The operation was launched within a broader context of financial sector reform that included the creation of the Superintendency of Banks and the legal framework for private banks, the restructuring of the Financiera Nicarguense de Inversiones (FNI) as an autonomous, second-tier institution, and an attempt to recapitalize and restructure the state banks. The emerging role of the central Bank was in large part defined by the economic program formalized in a stand-by agreement with the International Monetary Fund (IMF) in December 1991 and later in the Enhanced Structural Adjustment Facility (ESAF) agreement in 1994.
- 1.2 The program ATN/TC 3885 was designed and implemented in collaboration with the Monetary and Exchange Affairs (MEA) Department (formerly the Central Bank Department) of the IMF, which assumed responsibility for technical supervision of the program, including the identification and supervision of consultants hired by the Bank. The program was designed to initiate a process of restructuring the BCN with the main objective of establishing the basic administrative structure of a modern central bank. Thus the program focussed primarily on the implementation of basic organizational reforms, management improvements and administrative systems such as computerization of the accounting system and rationalization of foreign debt management.
- 1.3 In general terms, the BCN has achieved the basic objectives of the program 1/. Joint missions of the IMF and the Bank have concluded that: (1) overall, the BCN has made significant progress in implementing basic administrative and accounting systems, (2) the major project objectives will be achieved with the completion of project activities by the end of 1995, and (3) the executing arrangement between the Bank, the IMF and the BCN, in which the IMF is paid a fee for technical coordination of consultants contracted by the Bank on behalf of the BCN, significantly enhanced the operation and should be continued in the second phase. The conditions proposed for the second phase operation reflect the maturity and stability of the BCN, now capable of financing the completion of its reform program. The BCN will also assume the responsibility of contracting the advisors and consultants who participate in the program.

1/ The MEA Department of the IMF has expressed its technical opinion regarding the BCN's progress in meeting the objectives of ATN/TC 3885 in the mission reports of the mid-term evaluation of ATN/TC 3885, the analysis mission of NI-0087, and in a letter of August 29, 1995, available in the archives.

- 1.4 At the same time, the results of the midterm evaluation conducted by a joint mission of the Bank and the IMF indicated the need for a second phase of reform to provide more focussed support to the BCN in those areas directly linked to the essential functions of the central bank. The critical weaknesses of the BCN are related to the lack of adequate policies and procedures for gathering and analyzing economic data and incorporating the analysis into systematic economic and monetary programming. The lack of established management systems for rigorous economic programming is further complicated by inadequate operational systems in the key functional areas of international operations and financial management. The technical capacity of all levels of BCN professional staff will also have to be upgraded as new systems and procedures are introduced.
- 1.5 Institutional weaknesses have also undermined the development of economic programming systems within the BCN. The institutional structure of the BCN does not clearly establish the authority of the Manager of Economic Studies regarding coordination of the diverse activities associated with economic programming. Neither has the Economic Programming Committee served that purpose adequately. The Board of Directors of the BCN is not structured to ensure professional full time supervision of the institution, and the Secretariat of the Board does not adequately fulfill its official function vis-a-vis other government institutions. The respective roles of the President and the General Manager are also complicated by the fact that both are politically appointed.
- 1.6 The role and, ultimately, autonomy of the BCN has also been undermined by the structure of its relationship to other institutions in the financial sector. The failure of the state development bank, Banco Nacional de Desarrollo (BANADES), to repay the credit extended through the BCN discount windows and maintain the minimum legal reserves has seriously undermined the ability of the BCN to conduct consistent monetary policy within the framework of the ESAF agreement. In addition, the negative effects of state bank performance are compounded by the lack of a clear institutional separation between the BCN and the FNI, whose investments are concentrated in the state banks.
- 1.7 The Government of Nicaragua (GON), in its communication of January 11, 1995, has requested the proposed phase II technical cooperation operation. The technical support to the BCN, financed by the Bank in coordination with the IMF, has been a critical component of the GON's program of financial sector reform. The proposed operation is designed to strengthen the autonomy and capacity of the BCN to make and administrate monetary policy and protect the integrity of the payments system; as such the operation is consistent with the Bank's strategy for establishing the infrastructure required for private sector, export-led economic growth.

II. OBJECTIVES

A. General Objective

- 2.1 The objective of the proposed project is to strengthen the functions of the BCN that are directly related to its essential role as the central bank in maintaining the stability of the Nicaraguan currency. The operation is expected to strengthen the autonomy and technical capacity of the BCN in the areas of 1) economic programming, which includes macroeconomic statistics and formulation of economic policy, 2) international operations, and 3) financial management (execution of monetary policy and administration of the payment system).

B. Specific Objectives

- 2.2 The following specific objectives of the program are oriented towards establishing operational and management systems within the BCN. During this process, the high-level management of the BCN will be responsible for taking the necessary actions to ensure an appropriate institutional structure for the evolving systems and procedures. The external factors related to the state banks will be addressed in the context of the IMF ESAF agreement and the Public Sector Reform operation NI-0085 .

1. Formulation of economic policy on the basis of sound economic analysis.

- 2.3 The program will support the development of BCN technical capacity in the collection, processing and analysis of macroeconomic statistics, with special emphasis on the national and monetary accounts. Database and data processing systems will be computerized and integrated with the internal accounts of the BCN. Special emphasis will be given to the development of procedures that ensure timely presentation of analytical and programming reports to the Economic Programming Committee and the Board of Directors.

2. Development of institutional capacity in the area of international operations.

- 2.4 Program activities will support the development of operating policies and systems in the areas of external debt management, administration of international reserves and foreign exchange operations. The development of external debt management within the BCN will be carefully coordinated with the Ministry of Finance and Ministry of External Cooperation, based on a tri-partite agreement signed in August of 1995.

3. Development of institutional capacity in the area of financial management.

- 2.5 Program activities will support the development of operating policies and systems for the administration of the domestic payment system and the administration and composition of currency in circulation.

4. Development of support systems related to the core operational areas of the BCN.

- 2.6 Installation of accounting and auditing procedures will be completed to facilitate efficient BCN financial management, coordinate the critical operational areas of the BCN, and ensure the integrity of the data employed in economic programming. The platform of the management information system will be expanded to ensure efficient communication channels within the Central Bank.

5. Human resource development.

- 2.7 Special emphasis will be given to the professional development of staff in the core operational areas of the BCN. The technical skills of BCN staff will be upgraded through a training program that includes masters level studies, seminars and training visits in addition to the technical training included in the installation of specialized computer systems. In addition, the BCN will equip a technical resource library with hardware, studies and documents.

C. Expected Results

- 2.8 Program activities will be measured according to the specific results identified in the matrix in Annex III. The specific objectives of the program will be measured by the efficiency of the systems and procedures that will be installed or reinforced, the benchmarks for which are identified in the matrix under the activities associated with the respective specific objectives. Overall, achievement of the general objective of the program will be reflected in the quality of economic analysis, consistency of economic programming and corresponding operations of the BCN, and the professional performance of the Board of Directors in maintaining the BCN's leadership role in matters of monetary policy.

III. PROJECT DESCRIPTION

A. Conditions prior related to completion of phase I activities

- 3.1 The BCN has been completing Phase I activities according to a calendar previously defined during the midterm evaluation of ATN/SF 3885. As conditions prior to disbursement of the proposed Phase II

operation, (1) the BCN will complete the installation of computer hardware required to initiate implementation of Phase II activities, (2) present, to the satisfaction of the Bank, the annual work plan of the BCN that integrates activities programmed in the proposed operation, and (3) present evidence of an agreement with the IMF regarding the identification and supervision of advisors and consultants.

B. Activities

- 3.2 The specific activities to be carried out under the proposed program are organized in a matrix by the detailed specific objectives of the program and presented in Annex III. In addition, the activities are programmed according to an action plan with expected results and corresponding completion dates. In general terms, the program consists of the following types of activities:

1. Contracting of long-term advisors

- 3.3 Program activities will be supported by a group of four long-term advisors coordinated by the Principal Advisor 2/. The advisor team will consist of a Macroeconomist, Advisor in National Accounts, Advisor in External Debt and Advisor in Information Systems. In addition, the IMF/MEA Department will support a long-term advisor position in Financial Sector Reform.

2. Contracting of short-term consultants 3/

- 3.4 Short term consultants will be hired to provide technical support in the areas of foreign exchange operations, administration of foreign reserves, the payments system and currency in circulation, accounting, internal auditing and national accounts, and legal matters related to foreign debt. In addition, resources will be allocated for up to 6 months of consulting services for technical assistance needs to be identified during program execution.

3. Acquisition of equipment

- 3.5 Computer equipment will be purchased and installed in the process of expanding the management information platform of the BCN.

4. Staff Training

- 3.6 The staff training program will consist of seminars, training visits and masters level studies outside of Nicaragua. Counterpart funds will be used to cofinance this component of the program.

2/ The Principal Advisor position will be paid by the IMF/MAE Department. Terms of Reference for the advisor positions are presented in Annex I.

3/ Terms of reference for the short term consultants are presented in Annex I.

5. Installation of technical resource library

- 3.7 The BCN will acquire technical resources in the form of documents, software and hardware for a technical resource library.

C. Program Execution

- 3.8 The proposed program will be executed by the BCN with the technical support of the Statistics and the MAE Departments of the IMF and the Bank. The BCN will be ultimately responsible for the completion of the program objectives as well as the expected results defined for activities that involve the implementation of policies and procedures.
- 3.9 The BCN will present, with the technical assistance of the IMF, terms of reference and proposed candidates for the long term advisors and short term consultants. Upon approval by the Bank, the BCN will contract with the advisors and consultants. In order to facilitate continuity in the provision of technical support, the BCN will, in the selection and contracting of the long term advisors and consultants, give priority to experts with satisfactory experience and performance in similar programs, in particular the phase I (ATN/TC 3885) operation.
- 3.10 The technical coordination role of the IMF will be maintained. As in the first phase program, the IMF will function as a sole-source, specialized agency for providing assistance to the BCN in the identification and supervision of the advisors and consultants. The IMF Statistics and MEA Departments have a clear technical advantage in the strengthening of central banks and have an extensive network of consultants and professionals on which to draw in order to fill the positions defined in the proposed program. In addition, the IMF has a clear institutional advantage in that it can coordinate the technical assistance provided by the technical departments of the IMF and the technical assistance provided in the program, and facilitate continuity between the objectives of the program and the economic plan defined in the ESAF agreement with the Government of Nicaragua.
- 3.11 Program resources will be used to pay an administrative fee to the MEA Department of the IMF equal to 7% of the salary portion of the advisor and consultant contracts financed with program resources. The Bank will disburse the amount directly to the IMF/MEA according to an agreement to be signed between the BCN and the IMF and presented by the BCN as condition prior to first disbursement of program resources. The agreement will define the role of the respective departments of the IMF and the Principal Advisor in the identification and supervision of consultants, technical review and commentary of consultant reports and support to the BCN in the preparation of program progress reports.

- 3.12 The Program Coordinator position will be funded with program resources to ensure efficient administration of contracting and procurement with program funds. The Principal Advisor, to be funded by the IMF/MEA Department, will be responsible for coordinating the technical input of the IMF. The corresponding technical department of the IMF will assist in the drafting of terms of reference, identification and selection of candidates, and supervision of contract execution.

D. Program Monitoring

1. Supervision

- 3.13 The Technical Cooperation Agreement will stipulate that the Bank will supervise the program through the Nicaraguan Country Office, assigning technical responsibility to RE2/FI2.

2. Terms of Reference

- 3.14 Prior to the contracting of the advisors or consultants, the BCN shall submit to the Bank the terms of reference, with the technical opinion of the IMF, of the proposed contract. The terms of reference shall include the tasks to be completed by the advisor or consultants, a work program, reporting requirements, and designate the counterpart within the BCN. All terms of reference should clarify the responsibilities of the advisor or consultant for conducting on-the-job training of BCN employees.

3. Reports

- 3.15 The BCN shall submit to the Bank, with a copy to the Principal Advisor, a semi-annual program progress report.
- 3.16 Each of the long-term advisors and short-term consultants will be required to submit quarterly progress reports to their counterpart with the frequency defined in their terms of reference, with a copy to the Principal Advisor and the Nicaraguan Country Office of the Bank.
- 3.17 The BCN shall submit annual financial reports, audited by an independent firm approved by the Bank, of the goods and services procured with program resources.
- 3.18 Within three months of completion of the program, the BCN shall submit a final program evaluation report that provides a detailed account of achievements and failures of program execution. Within the same period, the BCN shall submit a final financial report, audited by an independent firm approved by the Bank, of the goods and services procured with program resources.

4. Mid-term evaluation

- 3.19 Program resources will be used to contract a consultant to conduct a mid-term evaluation of the program.

E. Cost and Financing

- 3.20 Total cost of the proposed program is the equivalent of US\$ 3,800,000 consisting of the equivalent of US\$3,450,000 financed by the Bank according to the budget presented below (see Annex II for a detailed projection of expenses) and the equivalent of US\$350,000 in counterpart funds. Counterpart funds will be used to provide office space, computer and communication equipment and secretarial support to the advisors and consultants as well as to finance part of the training program and the installation of the technical resources library.

BUDGET

ITEM	FINANCING (EQUIV IN US \$)	COUNTERPART	TOTAL (EQUIV IN US \$)
1. PROFESSIONAL SERVICE FIRMS	100,000.00		100,000.00
2. INDIVIDUAL CONSULTANTS	1,760,684.00		1,760,684.00
3. SCHOLARSHIPS AND PARTICIPANTS	417,100.00	255,000.00	672,100.00
6. GENERAL SUPPORT	524,000.00	45,000.00	569,000.00
97. INSTALLATION OF TECHNICAL RESOURCES LIBRARY	450,000.00	50,000.00	500,000.00
98. CONTINGENCY	163,716.00		163,716.00
INSPECTION AND SUPERVISION	34,500.00		34,500.00
TOTAL	3,450,000.00	350,000.00	3,800,000.00

- 3.21 The program execution period will extend to 30 months beyond the effective date of the contract, and the final disbursement will be made no more than 36 months beyond the same date.
- 3.22 The Bank financing component will be disbursed in foreign currency and charged to the Fund for Special Operations. The executing agency will pay a 1% up-front inspection and supervision fee as well as a commission equal to .5% of the committed amount. The loan will be amortized over 40 years, including a 10 year grace period on principal payments. In addition to the commission, the executing agency will pay 1% over the declining balance of the outstanding loan obligation in interest over the first 10 years (the grace period) and 2% over the amortization period from years 11 through 40.

F. Procurement

- 3.23 Procurement of goods and services with program resources will be conducted according to the normal procedures of the Bank. The procurement of goods and services in amounts greater than the equivalent of US\$250,000 will be conducted by an international bidding process. For acquisitions of less than US\$250,000, procurement will be conducted according to national procedures, which dictate that purchases of less than C\$200,000 may be made by direct procedure with quotes from three suppliers; purchases in amounts from C\$200,001 to C\$1,000,000 will be made by private or public bidding process, at the discretion of the purchaser; and purchases greater than C\$1,000,000 will be made by public bidding process.

G. Advance of Funds

- 3.24 The Bank will provide an advance of funds to the BCN equal to 10% of the total budget to facilitate efficient disbursement of program resources channeled by the BCN.

H. Reimbursement of expenses with program resources

- 3.25 In order to ensure an efficient transition between the phase I and proposed phase II operation, resources of the program can be used to finance the purchase of goods and services for the period that begins up to twelve months prior to Board approval, but not prior to January 11, 1995, the date of the Government of Nicaragua's request for the program. The amount of resources used to finance expenses during this period is limited to US\$150,000.

I. Environmental protection measures

- 3.26 The Environmental Management Committee, in the meeting of October 11, 1995, classified the proposed program as a category II operation.

IV. BENEFITS AND RISKS

A. Benefits

- 4.1 Successful completion of the program objectives will result in a central bank capable of conducting economic programming based on sound economic analysis. Improvements in the capacity of the BCN in this regard will have a positive effect on management of the economic plan.
- 4.2 The development of BCN open-market operations and improvements in the administration of the currency and payments system will

facilitate the modernization of Nicaragua's incipient banking sector and emerging capital market.

B. Risks

- 4.3 Successful modernization of the BCN depends ultimately on the commitment of top level management to establish the institutional structures necessary to facilitate coordinated economic analysis and programming. The Board of Directors will have to assume the responsibility of strengthening its own Secretariat while the program will provide support to the establishment of management-level mechanisms, such as the Economic Programming Committee, that facilitate the programming capacity of the BCN.
- 4.4 Execution of activities proposed under the program will depend on timely installation of computer hardware required for the computerized operational systems that will be installed under Phase II. For this reason, disbursement of program resources is contingent upon the installation of the required information system infrastructure.
- 4.5 As a second phase operation, the action plan of the proposed technical cooperation is more focussed and coordinated. Therefore, successful completion of program objectives will depend on the ability of the BCN to incorporate the action plan into the annual institutional work plan for the BCN. Presentation of the global work plan is also included as a condition prior to first disbursement of program resources.
- 4.6 Finally, success of the BCN in fulfilling its role as the rector of monetary policy is subject to factors external to the central bank. The dramatic change in BCN credit policy in June 1995, resulting in the closure of the 3 and 12 month discount windows, has stopped the expansion of credit to the state banks at current levels. However, the deteriorating performance of the state banks is likely to result in defaults to the BCN, either directly or through FNI, over the eight year period in which those loans were restructured. Furthermore, the BCN is still vulnerable to the future performance of FNI given the lack of clear separation between the two institutions.

V. EVALUATION

- 5.1 Completion of the program will be evaluated on the basis of the expected intermediate results identified in the action plan as well as a general assessment of the BCN's capacity to perform the essential functions of a central bank.
- 5.2 Progress and constraints will be monitored by the quarterly reports of the long-term advisors and the semi-annual reports of the BCN.

In addition, performance of the BCN in the execution of the IMF ESAF agreement will provide significant benchmarks for the general assessment in the final evaluation.

INDICATIVE BUDGET

ITEM	COST IN US\$	COMMENTS
1. FIRMS RENDERING PROFESSIONAL SERVICES		
1.1 SPECIALIZED AGENCY	100,000.00	
SUBTOTAL	100,000.00	
2. INDIVIDUAL CONSULTANTS		
2.1 FEES		
PROGRAM COORDINATOR (24 MONTHS)	96,000.00	
LONG-TERM ADVISORS:		At the rate of \$10,000 per month.
- MACROECONOMIST (24 MONTHS)	240,000.00	
- INFORMATION SYSTEMS (24 MONTHS)	240,000.00	
- NATIONAL ACCOUNTS (24 MONTHS)	240,000.00	
- EXTERNAL DEBT STATISTICS (18 MONTHS)	180,000.00	
SHORT-TERM ADVISORS:		At the rate of \$10,000 per month.
- EXCHANGE OPERATIONS (6 MONTHS)	60,000.00	
- RESERVE MANAGEMENT (6 MONTHS)	60,000.00	
- PAYMENT SYSTEMS (6 MONTHS)	60,000.00	
- CASH MANAGEMENT (6 MONTHS)	60,000.00	
- LEGAL AFFAIRS EXTERNAL DEBT (3 MONTHS)	30,000.00	
- ACCOUNTING (3 MONTHS)	30,000.00	
- NATIONAL ACCOUNTS (4 MONTHS)	40,000.00	
- COMPUTER SYSTEMS AUDIT (6 MONTHS)	60,000.00	
- OTHER CONSULTING SERVICES (6 MONTHS)	60,000.00	
- MIDTERM EVALUATION	7,500.00	
SUBTOTAL	1,463,500.00	
2.3 HIRING AND REPATRIATION		
2.3.1.1 AIR FARES - CONSULTANTS (31 X 1,400) *1)	43,400.00	*1) 6 consultants (6 months) x 3 trips = 18 trips 4 consultants (3 months) x 2 trips = 8 trips Return 4 long-term consultants = 4 trips Midterm evaluation = 1 trip
2.3.1.2 AIR FAIRS - DEPENDENTS (18 X 1,400)	25,200.00	
- LONG-TERM CONSULTANTS (4 X 3DEP)		
- REPLACEMENT CONSULTANTS (2 X 3DEP)		Replacement 2 long-term consultants=2 trips
REPATRIATION OF CONSULTANTS *2)	90,000.00	*2) Repatriation 4 long-term consultants x 15,000= 60,000 Repatriation 2 replacement consultants x 15,000=30,000
SUBTOTAL	158,600.00	
2.4 OTHER PAYMENTS AND INSURANCE		
2.4.1 INSTALLATION ALLOWANCE	20,000.00	Two replacement consultants (2x\$10,000)
SUBTOTAL	20,000.00	
2.5 OFFICIAL MISSION TRAVEL		
2.5.1.1 INTERNATIONAL TRAVEL		
2.5.1.2 TICKETS	2,800.00	Trips for 4 consultants (4x\$700)
2.5.1.2 PER DIEM	5,544.00	(28 days x \$198)
2.5.1.2 PER DIEM IN MANAGUA FOR CONSULTANTS WITH CONTRACTS UNDER 6 MONTHS	110,240.00	6 consultations (6 months): 20 days x 3 visits=60 days x \$208 4 consultations (3 months): 20 days x 2 visits=40 days x \$208 1 consultation (10 days): 10 days x\$208

ITEM	COST IN US\$	COMMENTS
SUBTOTAL	118,584.00	
3. STUDY-GRANT RECIPIENTS AND PARTICIPANTS		
3.1 REGISTRATION FEES		
MASTER'S PROGRAMS	160,000.00	Cost \$20,000 x 4 people x 2 years
SEMINARS	42,000.00	12 seminars total x \$3,500
3.2 SUBSISTENCE		
MASTER'S PROGRAMS	76,800.00	\$800 per month x 4 people x 24 months
INTERNSHIPS	67,500.00	15 internships total x \$50 x 90 days
SEMINARS	24,000.00	\$200 x 12 seminars x 10 days
3.3 OFFICIAL MISSION TRAVEL		
MASTER'S PROGRAMS	5,600.00	4 people x \$1,400
INTERNSHIPS	21,000.00	15 internships x \$1,400
SEMINARS	16,800.00	12 seminars x \$1,400
3.4 INSURANCE, TEACHING MATERIALS, AND OTHERS		
MASTER'S PROGRAMS	3,400.00	Insurance: \$150 x 4 people x 2 years Books: \$400 x 4 people OTHER: \$600
SUBTOTAL	417,100.00	
6. GENERAL SUPPORT		
HARDWARE	316,000.00	Does not include training in computer technology
SOFTWARE	189,000.00	
OTHER	19,000.00	
SUBTOTAL	524,000.00	
97 INSTALATION OF TECHNICAL RESERVES LIBRARY	450,000.00	
98 CONTINGENCIES	163,716.00	
INSPECTION AND SUPERVISION	34,500.00	
GENERAL TOTAL	3,450,000.00	

MATRIX OF THE BCN INSTITUTIONAL STRENGTHENING PROGRAM

ACTIVITIES	DATES	GOALS OR RESULTS	RESPONSIBILITY	
			Consultants	BCN
REVIEW OF THE STATISTICS BASE				
Accounts				
the current analytical codes into those of the new accounting systems	03/31/96	The BCN's monetary balance sheet in its new accounting system version	Macroeconomist	Manager, Economic Studies; Director, Economic programming
program in which data from the Commercial banks is entered into the monetary balance sheets of the BCN, using the new analytical codes.	03/06/96	Integration of Commercial bank data in the monetary balance sheet of the BCN.	Macroeconomist	idem
Accounts				
on the SPSS statistics package and processing of data to measure standards of living and urban employment (prior to the purchase and installation of data processing equipment)	03/31/96	Progress report	National Accounts	Manager, Economic Studies; Director, Economic Research
ing of agricultural, industrial, and construction	06/30/96	Progress report	National Accounts	idem
of sector surveys		Appraisal report	Short-term	idem
entation and processing of the Economic Census	12/31/96	Progress report	National Accounts	idem
of implementation of the Economic Census		Appraisal report	Short-term	idem
tization of sources for monitoring the primary, secondary, and tertiary sectors	12/31/96	Progress report	National Accounts	idem
	12/31/96	New overall GDP	National Accounts	idem
of processing of the census and of the utilization of sources		Appraisal report	Short-term	idem
	03/31/97	New primary, secondary, and tertiary GDP	National Accounts	idem
of final results		Appraisal report	Short-term	idem

ACTIVITIES	DATES	GOALS OR RESULTS	RESPONSIBILITY	
			Consultants	B
ment and provide training in the methodology for lating the national accounts and monitoring quarterly	12/31/97	Manual of procedures for monitoring quarterly GDP	National Accounts	idem
MENT OF POLICY ANALYSIS AND FORMULATION				
online the work of the Economic Programming Committee	03/31/96	Periodic analysis of monetary policy		General M
op capacities to facilitate the analysis of economic s	03/31/96	Monthly report with recommendations for Economic Programming Committee	Macroeconomist	Mgr., Econ Studies; M Economic DM, Econ.
	03/31/96	Quarterly review of the BCN	idem	idem
	04/30/96	Periodic reports to the Board of Directors when economic issues are being addressed	idem	idem
ve and establish procedures with a view to expanding capacity to carry out monetary program projections	04/30/96	Update monetary program projections on a quarterly basis	idem	idem
op a program to facilitate the design of a financial programming model for Nicaragua, in cooperation with the rated system analyst in the Office of the Economic es Manager	03/31/97	Creation of a financial programming model	idem	idem
n- and long-term studies	06/30/96	Medium- and long-term financial program	idem	idem
up work plans for staff returning to the BCN after abroad	01/31/96	Work plans, including technical seminars	idem	idem
lish criteria and arguments in favor of study abroad aff	03/31/96	External training	idem	idem
ify topics related to the BCN's objectives, for the se of supporting economic research tasks	03/31/97	Performance of economic research on a quarterly basis	idem	idem
MENT OF THE FUNCTIONS RELATED TO INTERNATIONAL E MANAGEMENT				
izational survey and operational aspects of reserve ement	02/29/96	Survey with recommendations for modernization	Short-term	DM, Reserv Management

ACTIVITIES	DATES	GOALS OR RESULTS	RESPONSIBILITY	
			Consultants	B
Implementation of the modernization program	08/31/96	Portfolio of references; selection of institutions for investment; implementation of a risk calculation system; plan for periodic reporting to the manager's office	idem	idem
IMPLEMENTATION OF THE FUNCTIONS RELATED TO EXTERNAL DEBT MANAGEMENT				
Installation of SIGADE 5.0 with support from the UNCTAD mission (on condition that the data coordinated with the mission are readjusted)	04/30/96	SIGADE 5.0 installed and BCN staff trained	External debt/ UNCTAD mission	Manager, International Operations, DM, Reserve Management
Construction and posting of data on loans from the Paris Club of Latin American Countries, and former socialist countries, in version 5.0	04/30/97	Finalize updating of loans from all creditors	External debt	idem
IMPLEMENTATION OF THE FUNCTIONS RELATED TO EXCHANGE OPERATIONS				
Study of institutional and infrastructure needs of the market and the exchange market		Recommendations for modernization on the basis of survey results	Short-term	Manager, International Operations
Implementation of the modernization program		Establishment of an exchange desk	idem	idem
IMPLEMENTATION OF DOMESTIC PAYMENT SYSTEMS				
Study of institutional and infrastructure needs	03/31/96	Recommendations for modernization based on survey results	Short-term	DM, Treasury
Implementation of modernization program	12/31/96	Streamlined, efficient, and secure payment system	idem	idem
IMPLEMENTATION OF MANAGEMENT AND COMPOSITION OF CURRENCY IN CIRCULATION				
Study of institutional and infrastructure needs and of structure and composition of cash	03/31/96	Recommendations for modernization based on survey results	Short-term	DM, Treasury
Implementation of the modernization program	12/31/96		idem	idem

ACTIVITIES	DATES	GOALS OR RESULTS	RESPONSIBILITY	
			Consultants	BCN
STRENGTHENING OF INTERNAL AUDITING				
Integration of audit techniques to automated systems (on condition that the software has been installed and the department has been hired)	03/31/96	Regular audits	Short-term	Auditor General, Information Systems Administration
IMPLEMENTATION OF THE ACCOUNTING SYSTEM				
Integration of modules (records) of the new accounting system	12/31/97	Modules or subsystems installed for: current account; cashier's checks, cash and payroll; cash settlements and closing statements; banking reconciliation; payroll; purchasing and inventory; audit of fixed assets and depreciation; files, backup, and retrieval of processed data		Manager, Accounting, head of the relevant department
Integrate SIGADE 5.0 into the new accounting system	05/31/96	External debt transactions incorporated into the accounting system		Manager, Accounting, Reserve Management
IMPROVEMENT OF THE BCN'S DATA PROCESSING SYSTEM				
Integration of the BCN's office functions and internal communications	06/30/97	Installation of software; expansion of the network; training of users	Information Systems	DM, Data Processing
Establish electronic communication between the BCN and the banking sector	06/30/96	Communications platform installed (hardware and software); external interfaces installed	Information Systems	DM, Data Processing
Strengthen and expand the technological infrastructure of the office of the Institutional Development Manager	06/30/96	Installation of equipment for the Integrated Support area; Integrated Security and Audit System	Information Systems	Manager, Institutional Development, Information Systems
IMPLEMENTATION OF TECHNICAL RESOURCES LIBRARY				
Installation of hardware, software and documents	12/31/96	Documents, hardware and software installed		Library Coordinator

PROPOSED RESOLUTION

NICARAGUA. TECHNICAL COOPERATION LOAN FOR A PROGRAM OF INSTITUTIONAL
STRENGTHENING OF THE BANCO CENTRAL DE NICARAGUA

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such agreements as may be necessary with the Banco Central de Nicaragua ("BCN") and to adopt such other measures as may be pertinent for the execution of the program of technical cooperation described in Document _____, the objective of which is the institutional strengthening of the BCN.
2. That up to the sum of US\$3,450,000, or its equivalent, is authorized for the purposes of this resolution, chargeable to the resources of the Bank's Fund for Special Operations.
3. That the above-mentioned sum shall be provided on a reimbursable basis, in accordance with the respective conditions which shall be set forth in the agreement to be signed for this operation.