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**INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL FINANCE CORPORATION
AND MULTILATERAL INVESTMENT GUARANTEE AGENCY**

COUNTRY PARTNERSHIP FRAMEWORK

FOR

THE REPUBLIC OF NICARAGUA

FOR THE PERIOD FY18-FY22

February 12, 2018

**Central America Country Management Unit
Latin America and the Caribbean Region
The International Finance Corporation
The Multilateral Investment Guarantee Agency**

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CURRENCY EQUIVALENTS

(Exchange Rate Effective as of January 31, 2018)

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NIO 31.13	=	US\$1
US\$1.46	=	SDR 1

FISCAL YEAR

January 1 to December 31

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ABBREVIATIONS AND ACRONYMS

ACE	Alliance for Education Quality Project (<i>Alianza para la Calidad Educativa</i>)
AF	Additional Financing
ASA	Advisory Services and Analytics
BNPP	Bank Netherland Partnership Program
BOC	Breach of Contract
CABEI	Central American Bank for Economic Integration
CAR	Capital Adequacy Ratio
CARCIP	Caribbean Regional Communications Infrastructure Program
CCRIF	Caribbean Catastrophe Risk Insurance Facility
CCRIF SPC	Caribbean Catastrophe Risk Insurance Facility Segregated Portfolio Company
CLR	Completion and Learning Review
CPF	Country Partnership Framework
CPPR	Country Portfolio Performance Review
CPS	Country Partnership Strategy
DPs	Development Partners
ECD	Early Childhood Development
ENACAL	Nicaragua's State Water and Sewage Utility (<i>La Empresa Nicaragüense de Acueductos y Alcantarillados</i>)
ESMAP	Energy Sector Management Assistance Program
ESW	Economic and Sector Work
EU	European Union
EXP	Exposure
FAO	Food and Agriculture Organization
FCPF	Forest Carbon Partnership Facility
FDI	Foreign Direct Investment
FSAP	Financial Sector Assessment Program
FSLN	Sandinista National Liberation Front (<i>Frente Sandinista de Liberación Nacional</i>)
FY	Fiscal Year
GAFFSP	Global Agricultural and Food Security Program
GDP	Gross Domestic Product
GEF	Global Environment Facility
GHG	Greenhouse Gas
GoN	Government of Nicaragua
GPE	Global Partnership for Education
GWSP	Global Water System Project
HIPC	Highly Indebted Poor Countries
IBRD	International Bank for Reconstruction and Development
ICR	Implementation Completion and Results Report
ICT	Information Communication and Technology
IDA	International Development Association
IDB	Inter-American Bank for Development
IFC	International Finance Corporation
IFI	International Financial Institution
INETER	National Institute for Territorial Studies (<i>Instituto Nicaragüense de Estudios Territoriales</i>)
INIDE	National Statistical Agency (<i>Instituto Nacional de Información de Desarrollo</i>)

IPF	Investment Project Financing
IT	Information Technology
JSDF	Japan Social Development Fund
KGGTF	Korean Green Growth Trust Fund
LCR	Latin American and Caribbean Region
LCU	Local Currency Unit
LEWP	Learning, Entrepreneurship, Working and Prospering Program
LSMS	Living Standards Measurement Study
M&E	Monitoring and Evaluation
MAPS	Methodology for Assessing Procurement Systems
Mbit	Megabit
MCA	Community Modules for Adoquines (<i>Modulos Comunitarios de Adoquinado</i>)
MDB	Multilateral Development Bank
MDB SREP	Multilateral Development Bank Scaling up Renewable Energy Program
MEFCCA	Ministry of Economy linked to Family, Community, Cooperatives & Associations (<i>Ministerio de Economía Familiar Comunitaria Cooperativa y Asociativa</i>)
MHCP	Ministry of Finance and Public Credit (<i>Ministerio de Hacienda y Crédito Público</i>)
MIFAN	Ministry of the Family
MIGA	Multilateral Investment Guarantee Agency
MIS	Management Information System
MOH	Ministry of Health
MSMEs	Micro, Small and Medium Enterprises
MT	Metric Tons
MTI	Ministry of Transport and Infrastructure (<i>Ministerio de Transporte e Infraestructura</i>)
MW	Mega Watts
NSEL	Nicaragua Sugar Estates Limited
NTC	National Technical Committee
OECD	Organisation of Economic Co-operation and Development
PCN	Project Concept Note
PCUs	Project Coordination Units
PEFA	Public Expenditure and Financial Accountability
PFM	Public Finance Management
PLR	Performance and Learning Review
PMSAF	Public Financial Management Modernization
PNDH	National Plan for Human Development (<i>Plan Nacional de Desarrollo Humano</i>)
PPIAF	Public – Private Infrastructure Advisory Facility
PPP	Public Private Partnership
PRORURAL	Productive Rural Development Program
REDD	Reduced Deforestation and Land Degradation
SCD	Systematic Country Diagnostic
SDG	Sustainable Development Goal
SFLAC	Spanish Fund for Latin America and Caribbean
SIASAR	Rural Water and Sanitation Information Management System (<i>Sistema de Información de Agua y Saneamiento Rural</i>)
SIGAF	Integrated Administrative and Financial Management System (<i>Sistema Integrado de Administración Financiera</i>)
SIICAR	Integrated Cadaster-Registry Information System (<i>Sistema de Información Integrado de Catastro y Registro</i>)

SILAIS	Local Systems for Integrated Healthcare (<i>Sistema Local de Atención Integral en Salud</i>)
SISEVA	Planning and Monitoring System (<i>Sistema de Seguimiento Evaluación y Aprendizaje</i>)
SMEs	Small and Medium Enterprises
SNIP	National System for Public Information (<i>Sistema Nacional de Información Pública</i>)
SS-DPSP	Sustainable Services Through Domestic Private Sector Participation
STEP	Systematic Tracking of Exchanges in Procurement
SUF	Scale Up Facility
TA	Technical Assistance
TFA	Trade Facilitation Agreement
TFP	Total Factor Productivity
TR	Transfer restriction
WBG	World Bank Group
WCD	War and Civil Disturbance
WSS	Water Supply and Sanitation
WTO	World Trade Organization

FY18-22 COUNTRY PARTNERSHIP FRAMEWORK FOR NICARAGUA

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1. INTRODUCTION

1. **Nicaragua remains one of the poorest countries in Latin America.** In the years following the end of the armed conflict in 1990, Nicaragua focused on building peace and security, re-establishing macroeconomic stability, restoring the foundations of a market economy and improving access to basic services from a very low base. Extreme poverty halved between 2005 and 2014 and overall poverty significantly decreased over the same period.¹ According to estimates for 2014, 30 percent of the population were poor, and about 80 percent were poor or vulnerable to becoming poor, and many Nicaraguans still lacked access to basic services.² Poverty reduction and improving access to quality basic services therefore lie at the center of the government's national development strategy and of the proposed FY18-22 Nicaragua Country Partnership Framework (CPF).

2. **Making a significant dent in prevailing levels of poverty and vulnerability through faster, more inclusive, and sustained growth as well as better access to quality basic services are at the core of the FY 18-22 CPF.** As set out in the Systematic Country Diagnostic (SCD) completed in FY18, increasing the pace of job creation in Nicaragua will require an acceleration of growth. Two-thirds of the reduction in poverty in the past ten years have resulted from increased labor income. As the number of women entering the labor market increases and the country's youth expansion is expected to continue for the next 30 years, employment creation will become even more important. This in turn will require faster job-creating growth that is sustained over time.

3. **To achieve the required job-creating growth faster, the country will need to increase productivity in addition to further improving the quality of its human and physical capital.** Productivity increases will be needed if economic growth rates are to increase to levels that can lift a significant share of the population out of poverty through higher labor incomes. In the absence of such productivity gains, labor market entrants will remain trapped in low paid occupations, in the informal sector and subsistence agriculture, with limited prospects of increased incomes. The required acceleration of economic growth can only be achieved in close dialogue and collaboration between the public and the private sectors, both in terms of the strategic direction and combination of resources.

4. **In addition, a growth acceleration will also require improved access to quality basic services underpinned by institutional capacity-building and increased data availability.** The poor will need improved access to quality basic services to seize the economic opportunities from an improved job market and break the intergenerational transmission of poverty. To ensure the resilience and sustainability of the structural reforms that will enable faster growth, these reforms would need to be underpinned by institutional capacity-building. Capacity-building of public management and the collection and publication of data will help to ensure that quality public services are available to disadvantaged groups of the society.

5. **To sustain and deepen the progress realized under the FY13-17 Country Partnership Strategy (CPS) and support the government in achieving the Twin Goals, the FY18-22 CPF envisages support**

¹ Source: World Bank estimates based on 2005 and 2014 Living Standards Measurement Studies Surveys (*Encuesta Nacional de Hogares sobre Medición de Nivel de Vida*). Data from the 2016 household survey indicates that the trend in poverty reduction is continuing.

² Source: World Bank calculations based on Socio-Economic Database for Latin America and the Caribbean data (Center for Distributive, Labor and Social Studies, Universidad Nacional de la Plata). Note: All numbers are based on data harmonized in February 2018. Poverty is defined as per capita income of less than US\$5.5 per person a day in 2011 purchasing power parity dollars, vulnerable as an income between US\$5.5 and US\$13.

across three pillars: (i) investing in human capital, particularly for disadvantaged groups; (ii) enabling private sector investment for job creation; and (iii) improving institutions for resilience and sustainability. The CPF pays special attention to disadvantaged groups and lagging territories within Nicaragua that have not participated fully in the benefits of growth. It prioritizes interventions that target specific groups such as youth, women, subsistence farmers, and Indigenous and Afro-descendant communities with a spatial focus on rural areas in the Caribbean and Central regions where most of the poor and extreme poor are located. However, given that 80 percent of the population is vulnerable or poor and that the labor force will continue to expand in the next two decades, the CPF also invests in activities that are directed at the economy as a whole, improving its functioning, aiming at faster growth and helping to create more and better jobs. This includes actions to improve labor supply and demand as well as institutional quality and government capacities.

6. The CPF builds on the foundations laid down by the previous CPS while responding to new challenges. The CPF will succeed the FY13-17 CPS, and will focus on improving access to basic services and fostering competitiveness and productivity through improvements to infrastructure and the investment climate. The current CPF builds on these approaches while presenting three main shifts with greater emphasis on: (i) private sector-led growth; (ii) sustainability; and (iii) governance. These shifts will result in a program that includes interventions with potentially higher impact and higher risk. For example, the program will expand into the Caribbean and Central regions where a large share of the poor is located and where government institutions are weaker, namely in systems and human capital. To mitigate the risks of expanding into geographical and content areas that are more difficult to work at, the program will also shift towards a stronger weight on analytical work. As a result, the current CPF stresses: (i) improving the conditions for greater private sector investment including private delivery of public goods and services; (ii) improving governance notably in areas which are key to de-risk private investment; and (iii) ensuring that economic and social advances are sustainable in the face of institutional, financial and climate-driven risks. The FY18-22 CPF is grounded in an analysis of opportunities and constraints facing Nicaragua and unlocks financial resources and expertise in support of the Government of Nicaragua's (GoN) development priorities.

7. The FY 18-22 CPF is informed by the FY18 SCD and supports implementation of the government's emerging National Plan for Human Development (PNDH) (*Plan Nacional de Desarrollo Humano*). It also reflects the GoN's commitment to the Sustainable Development Goals (SDGs) and its responsibilities and priorities in the area of climate change mitigation and adaptation. Total indicative resources available in IDA 18 will be in the order of US\$325 million, including support from the IDA 18 Scale-Up Facility (SUF) supplemented by other potential resources from trust funds as well as the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA). A similar level of resources is assumed for IDA 19 which will cover the last two years of the CPF. This is broadly in line with resources available under the previous strategy. In addition to financial resources, the World Bank Group (WBG) will also bring to bear its unique worldwide experience and knowledge in areas such as job markets, mobilizing the private sector, climate change and disaster risk management.

2. COUNTRY CONTEXT AND DEVELOPMENT AGENDA

A. Historical Perspective

8. Nicaragua's post-war experience has deeply affected the country's economic and social outcomes. The conflict between the Sandinista National Liberation Front (FSLN) and Somoza Government and the civil war (the 'contra war') that followed, from 1981 to 1989, left the country's infrastructure and

productive capacity seriously damaged. The war economy and inadequate economic policies weakened market institutions. Social and military spending in response to the contra-revolutionary insurgency resulted in major fiscal and economic imbalances and hyperinflation. At the end of the eighties, Nicaragua was one of the most highly indebted countries in the world, while social conditions reflected the extent of economic deterioration: infant mortality (72/1000), maternal mortality (159/100,000) and moderate and severe malnutrition (affecting around 13 percent of children under five) were very high.³ When the newly elected post-war government took office in 1990, Nicaragua was coming out of a two decade-long economic stagnation, with a damaged stock of infrastructure, growing unmet needs of the population and a large gap in the provision of services.

9. **Since the nineties Nicaragua achieved economic recovery.** A macroeconomic stabilization program, together with debt relief worth US\$4.5 billion, have laid the foundations for economic recovery. Debt relief has freed up fiscal space for social and infrastructure spending. Overall, public external debt went from 160.8 percent of GDP in 2003 and prior to the completion point of the Highly Indebted Poor Country (HIPC) initiative in January 2004, to 46 percent of Gross Domestic Product (GDP) by 2007.⁴ Since then, public external debt declined to 38 percent of GDP by 2016. Structural reforms - including trade liberalization, abolition of state monopolies, restructuring of state-owned banking sector and modernization of police and armed forces - have helped transform Nicaragua into a competitive market. Governments have also focused on addressing the basic needs of the population of whom 46 percent are aged 15 years old or less.

10. **Peace, security and stability, eradicating poverty and reducing inequality have been relevant elements of Nicaragua's leadership and the Strategic Plan for Human Development.** Nicaragua has successfully demobilized combatants, reformed its military and police forces, and ensured security for its population. Nicaragua ranks in the 40th percentile worldwide for political stability and the absence of violence. The government also maintains an open and constructive dialogue with the private sector and has successfully sought to increase Foreign Direct Investment (FDI) (currently equivalent to 6.5 percent of GDP) which it sees as a key engine of growth and job creation. These efforts have recently been recognized by upgrades in Nicaragua's credit rating by key rating agencies such as Moody's upgrade to B2 from B3. The focus on budget execution and project implementation capacity by the government (for example reflected in the Completion Learning Report (CLR) described in Annex 9), an increasingly pro-business environment and improved access to basic services have ensured a robust real growth rate of 4 percent per year between 1994 and 2016. This resulted in a halving of the number of people living in extreme poverty during 2005-14.

11. **Despite the impressive progress in the past decade, important challenges remain.** Nicaragua is the second poorest country in the Latin America and Caribbean Region (LCR) in terms of average per capita income and the fourth poorest in poverty rates. Despite growth rates averaging over 5 percent since 2009, it will take the country 79 years to catch up with the average income per capita in LCR, if average growth rates continue. Moreover, this would require significant increases in competitiveness and allocative efficiency in the economy to shift up productivity levels and sustain high economic growth for long periods. In other words, the challenge for Nicaragua is to continuously build human and physical capital in order to exploit efficiency gains and underpin high productivity. While pro-business efforts are starting to turn Nicaragua into a promising destination for private investment, important challenges remain. These include infrastructure that lags that of competitors; low educational attainment levels and capacity

³ Source: World Development Indicators, The World Bank.

⁴ Source: World Economic Outlook, International Monetary Fund.

constraints in the public sector that limit its ability to keep up with the demands of growth. Large sections of the population still lack access to quality public services. In a neighborhood of countries that are confronting high levels of crime and violence, Nicaragua is even more susceptible to the lack of economic opportunity for a large share of the population.

12. **An acceleration in economic growth that creates job opportunities is therefore indispensable to address the challenges and further reduce poverty and achieve shared prosperity.** The youth expansion that will be entering the labor market in the next 30 years, together with women currently out of the labor force but expected to enter it, are a window of opportunity to increase growth to new levels and enable Nicaragua to catch-up with peers. But they also require jobs. Therefore, achieving productivity increases - hence faster growth - is a key element of Nicaragua's development strategy and WBG assistance going forward. In addition and as highlighted in the SCD, there is ample scope to strengthen governance in Nicaragua to increase the long-term certainty facing investors. The focus of the CPF, therefore, is in assisting the GoN to address these challenges and thus create the conditions for faster growth that generate quality job opportunities to expand and sustain recent successes in reducing poverty.

B. Poverty and Shared Prosperity

13. **Despite recent gains, absolute levels of poverty in Nicaragua are among the highest in the region.**⁵ Poverty, defined as living with an income below the US\$3.2 per person per day, in 2011 Purchasing Parity Power, fell from 28 to 14 percent between 2005 and 2014, while the share of the population with incomes below US\$5.5 per day decreased from 55 to 36 percent between these years. In addition, downward income mobility has become an issue since the largest economic group consists of non-poor Nicaraguans who are at risk of falling into poverty if hit by economic shocks (such as external macroeconomic shocks or natural disasters). About one in six non-poor Nicaraguans fell into poverty between 2005 and 2014. Also, poor Nicaraguans are more likely to be employed in the agricultural sector in rural areas and, therefore, more exposed to climatic shocks and natural disasters. The effects of increased climate variability, droughts, and excessive rains are expected to have greater impact on the agricultural sector in rural areas by reducing productivity due to loss of crops, ultimately exacerbating poverty and vulnerability in the country.

14. **While high by international standards, inequality in Nicaragua is low compared to other Latin American countries, although access to basic services is uneven.** Using an internationally comparable measure of income, the Gini coefficient decreased from 0.49 to 0.44 between 2005 and 2009 before increasing slightly to 0.47 in 2014. Official data suggest that inequality has declined again since 2014. These data make Nicaragua's economy the second most egalitarian in the region (after Uruguay). On the other hand and despite some improvements, access to water, particularly among children, is among the lowest in the region, posing significant health risks. For example, the Human Opportunity Indicator for running water within the dwelling was 24 percent in 2014, the second lowest in Latin America. Access to water has remained unequal. In 2014, about four out of ten individuals in the highest quintile of the per capita income distribution did not have access to running water while almost nine out of ten households in rural areas and in the Caribbean, did not have access to running water. Children in rural areas are still affected by malnutrition and many lack access to early education with large gaps to urban areas. And while there have been dramatic gains in maternal and infant mortality, this is not equally shared; rural areas and the Caribbean region lag behind the rest of the country. In regions such as Boaco (78.5 per

⁵ Source: Nicaragua SCD, 2017.

100,000 live births), Jinotega (55.9 per 100,000 live births), or the South Caribbean Coast Autonomous Region (160 per 100,000 live births) infant mortality rates still remain high.

15. **The main driver of poverty reduction was income growth.** The increase in labor income accounted for 65 percent of poverty reduction between 2005 and 2014. Other factors included remittances and a reduction in dependency ratios. Remittances represented about 20 percent of household income of recipient families in the lowest decile of the income distribution in 2014, up from 10 percent in 2005, and the dependency ratio defined as the ratio of dependents (individuals younger than 15 or older than 64) to the working-age population, almost halved in the last 25 years. The reduction in the dependency ratio was associated with a 12 percent reduction of overall poverty between 2005 and 2014. Fiscal policy and social assistance programs, in particular, have played a modest role in addressing income inequality. The impact of social programs has been limited by their low coverage and insufficient targeting.

16. **Poverty in Nicaragua continues to have a spatial dimension with the Central and Caribbean regions lagging other regions and half of Nicaragua's poor living in the Central region.** Most of Nicaragua's poor, in both absolute and relative terms, are concentrated in the rural areas of these two regions. The Central region, is periodically exposed to periods of drought. The Caribbean region contains a sizable proportion of indigenous peoples and Afro-descendants. While there is no recent census or household survey that reflects the indigenous population, the latest census from 2005 indicates that Nicaragua's self-identifying indigenous population represented six percent of the overall population. The census identified a large gap between non-indigenous and indigenous Nicaraguans in terms of basic service provision as for example access to piped water. Despite improvements, the Caribbean region has remained disconnected from the rest of the economy due to poor transport links and is home to one quarter of the country's poor. An expanding agricultural and livestock frontier in the Caribbean region is unsustainable and contributes little to the economy due to low productivity.

C. Recent Economic Developments

17. Nicaragua's economic turnaround since 1994 is a result of three main factors: (i) improved macroeconomic management and debt relief; (ii) reforms aimed at restoring Nicaragua's market economy including in the agriculture sector; and (iii) demographic change. Real GDP growth between 1994 and 2016 averaged 4 percent, whereas GDP per capita grew by 2.5 percent per year or 71 percent over the entire period. While this economic performance compares favorably with Latin America (expansion of 34 percent), it has been lower than the average for lower middle-income countries which doubled their GDP over the same period. Part of the rebound can be attributed to the post-conflict recovery from a relatively low base. This was fostered by good macroeconomic management and debt relief that created fiscal space for spending on investment and social services. Moreover, the gradual normalization of production and economic activity, rebuilding of physical capital, and ongoing demographic changes including youth expansion and increasing numbers of labor market entrants played an important role. Nicaragua's investment-to-GDP ratio averaged 29 percent of GDP, which is comparable to other lower middle-income countries and one of the highest in Latin America and the Caribbean. As such, growth has relied, to a large extent, on factor accumulation.

18. **Productivity increases have only recently started to contribute.** Total factor productivity (TFP), made negligible or negative contributions to GDP growth in Nicaragua historically. It started to contribute to growth positively over the last seven years, probably reflecting efforts to improve energy and logistics infrastructure. Labor productivity growth also rebounded after 2009. However, Nicaragua continues to

have low returns to education (an education premium of 4.8 percent in 2014 compared to an average of 7.2 percent in Latin America overall) partially because significant challenges remain with the quality of education and a mismatch between the skills the population acquires and those that are needed in the labor market.

Table 1: Key Economic Indicators for Nicaragua 2014-21

	2014	2015	2016	2017	2018	2019	2020	2021
Real GDP (%)	4.8	4.9	4.7	4.5	4.4	4.4	4.4	4.4
CPI Inflation, end of period (%)	6.5	3.1	3.1	4.2	5.1	5.6	5.6	5.6
Exchange rate, end of period (LCU/US\$)	26.6	27.9	29.3	30.8	32.3	33.9	35.6	37.4
Savings and Investment								
Gross national savings	22.4	23.6	22.6	23.0	23.0	23.0	23.0	23.0
Gross fixed capital formation	27.3	30.4	29.5	29.9	30.4	31.2	31.2	31.2
Fiscal accounts								
Central government								
Total revenues (including grants)	17.4	17.7	18.6	18.5	18.4	18.3	18.3	18.3
Tax revenues	15.3	15.6	16.2	16.3	16.3	16.2	16.2	16.2
Nontax revenues	1.1	1.1	1.2	1.2	1.1	1.1	1.1	1.1
Total expenditure	17.7	18.3	19.2	19.2	19.3	19.4	19.4	19.4
Capital expenditure	2.3	2.4	2.7	2.6	2.5	2.6	2.6	2.6
Primary balance	0.5	0.3	0.4	0.5	0.5	0.6	0.6	0.6
Overall balance	-0.3	-0.6	-0.6	-0.7	-0.9	-1.1	-1.1	-1.1
Non-financial public sector								
Overall balance (excluding grants)	-2.6	-2.9	-3.1	-3.1	3.0	3.1	3.1	3.1
Overall balance (including grants)	-1.5	-1.6	-2.0	-2.0	-2.0	-2.1	-2.1	-2.1
External sector								
Current account balance	-7.1	-9.0	-8.6	-8.4	-8.5	-8.8	-9.0	-9.1
Trade balance	-18.3	-20.0	-19.7	-19.6	-19.8	-20.0	-20.1	-20.3
Services balance	1.6	1.8	1.9	2.0	1.9	1.9	1.9	1.9
Primary income	-2.6	-2.7	-2.7	-2.7	-2.7	-2.7	-2.7	-2.7
Secondary income	12.2	11.9	12.0	12.2	12.1	12.0	12.0	12.0
Remittances	9.6	9.4	9.6	9.8	9.7	9.6	9.6	9.6
Foreign direct Investment	6.7	7.1	6.5	6.5	6.6	6.7	6.7	6.7
Total public debt	48.8	45.1	44.8	44.0	43.1	42.4	41.9	41.5
GDP (in millions of current US\$)	11,880	12,748	13,230	13,891	14,618	15,403	16,327	17,307

Source: Central Bank of Nicaragua, MFMMOD and Staff calculations. Data as of November 28, 2017.

19. **In particular, challenges related to the overall regulatory and institutional framework, as well as other factors that increase production costs, have held back the efficiency of resource allocation in the economy.** Nicaragua ranked 122nd out of 138 countries in the institutional pillar of the Global Competitiveness Index 2016-17. The relatively weak performance in regulatory quality is particularly relevant for the business environment; Nicaragua had a percentile rank of 37 compared to 54 for Latin America in the corresponding World Governance Indicator in 2015. Moreover, a small and highly concentrated financial system with low private credit and strikingly short maturities of mainly up to three years (31 percent of GDP, compared to 42 percent in El Salvador and 55 percent in Honduras) does not provide sufficient access to finance. In addition, Nicaragua's large infrastructure gap, including one of the least developed road infrastructure in the region as well as one of the highest electricity prices in Latin

America, have negatively affected the economy's productivity. This partially off-sets Nicaragua's attractive features such as the stable macroeconomic situation, low labor costs, low crime and violence, and abundance of land.

20. **In terms of sectors, agriculture has played a key role in Nicaragua while the services sector has become the most important contributor to growth in recent years.** Agriculture, livestock, forestry and fishing accounted for 17 percent of GDP in 2015, followed by trade, hotels and restaurants (15.3 percent); personal, social and business services (14.3 percent); and manufacturing (13.3 percent). In spite of its declining relative weight over the past two decades, agriculture continues to be a key sector for the Nicaraguan economy: it accounted for 15.8 percent of goods exports during 2010–2015 and agricultural employment represented about 30 percent of total employment (about 764,000 persons) in 2014. Yet, from 2010 to 2015, the services sectors contributed two-thirds to overall growth.

21. **Nicaragua is one of most open economies in Latin America with resulting external vulnerabilities.** Nicaragua is one of the most open economies in Latin America with an average trade-to-GDP ratio of 105 percent over the past five years. Consumption has been the main driver of growth in Nicaragua since the 2000s in terms of aggregate demand. Household consumption has been supported by large remittance flows, which have averaged roughly 9.7 percent of GDP since 2000. As of 2015, consumption accounted for 95 percent of GDP. Net exports' contribution to headline growth between 2010 and 2015 was negative, as import growth—fueled by a large oil import bill and strong consumption and investment spending — outpaced export growth, resulting in large trade and current account deficits (22.5 percent and 9.7 percent of GDP over 2010–2015, respectively). The range of fiscal policy tools to manage the economic cycle are limited and instruments such as a fiscal responsibility law or stabilization funds have not been developed yet. The economy has also experienced bouts of volatility related to the fluctuations of international commodity prices and swings in domestic investment rates.

22. **Nicaragua's large current account deficit has been financed to a large extent by FDI inflows and is a vulnerability.** FDI inflows to Nicaragua have been stable and amounted to 6.6 percent of GDP in 2015. The country is a net importer of oil, which accounts for a large share of its trade deficits (21.6 percent in 2015). Nicaragua's oil collaboration with Venezuela helped finance these large current account deficits starting in 2007. These exceptional flows averaged 5.3 percent of GDP between 2010 and 2014, but declined to 0.7 percent of GDP in 2016, largely due to the progressive deterioration in Venezuela's economic situation. While lower oil prices since 2014 have temporarily reduced vulnerabilities on the external side, the decline in Venezuela's oil cooperation financing and potential oil price increases in the near- to medium-term pose significant risks. Public debt is considered to be sustainable in the medium term although serving private sector external debt which amounted to 44.8 percent of GDP in 2016 could exert significant pressure on foreign exchange markets.

D. Key Challenges and Constraints to the Twin Goals

23. **Nicaragua has made significant progress towards the Twin Goals. However, to make further progress and ensure the sustainability of these gains, the country requires a shift in its growth model.** Simply relying on a growing labor force and increased capital investment will not suffice. Productivity increases are also needed. Policies are required that allow the country to allocate resources more efficiently across the economy and move into higher value activities requiring higher skilled labor and at the same time spread with the benefits of growth more widely. It will require measures that mitigate the external financial risks that the country faces due to its reliance on oil as well as its vulnerability to natural

hazards through better disaster risk management, natural resource management and fiscal instruments. Finally, none of this will be possible without stronger institutions and improved public-sector efficiency.

24. **To achieve this growth shift in a sustainable manner will require addressing structural constraints that could derail Nicaragua's progress towards the Twin Goals.** The SCD has identified five priority areas and a cross-cutting theme to this effect: (i) Improvements in education, skills, and jobs for the youth; (ii) Provision of infrastructure (energy, transport, and water) and service delivery; (iii) Improvements in private sector productivity and the investment climate; (iv) Reduction of vulnerabilities sources from climate change and improving natural resource management (water, forests, land); and (v) Reduction of sources of external vulnerability. The cross-cutting theme of strengthened institutions and increased public-sector capacity is relevant in all priority areas and a key building block for achieving progress. Nicaragua's economic development is also key because the country lies in a neighborhood with countries with high levels of crime and violence. Failing to address the development challenges in Nicaragua and lifting a larger share of the population out of poverty could introduce further instability to a fragile region. These priorities are further discussed below and Figure 1 details how the CPF selects from the SCD priorities based on selectivity criteria.

25. **Nicaragua can boost its economic growth and offer better job opportunities by ensuring effective education and functioning labor markets.** Ongoing demographic changes represent a unique window of opportunity to accelerate growth. Yet education access and quality are relatively low and Nicaraguans generally lack the skills to meet the demands of the labor market. Nicaraguans spend an average of seven years in education, among the least in the region. The quality of education as measured by standardized test also lags behind other LCR countries. As detailed in the SCD, there are major inequities in access to education between income groups, areas of residence and between boys and girls. Improving education, skills, and jobs outcomes for young people are therefore a critical priority for Nicaragua. Early Childhood Education can contribute to the social and cognitive development of children and prevent vulnerable children from falling behind their wealthier peers. Improving access to secondary education, especially in rural areas, with revised curricula that are more relevant for the labor market will increase school retention, support labor market entry, and reduce youth engagement in negative social behaviors. The high incidence of adolescent pregnancy remains a particular challenge as it is associated with lower secondary education completion rates, poorer labor outcomes, and poverty. In 2014, Nicaragua ranked among the countries with the highest adolescent fertility rates in LCR. In addition, violence against women was high: 27 percent of women declare to have been beaten or otherwise physically abused. Tackling teenage pregnancy and preventing intra-family violence can go a long way to increase human capital accumulation and improve job outcomes, decreasing the intergenerational transmission of poverty.

26. **Public infrastructure plays an important role in the competitiveness of firms and helps crowd in private investment, including FDI, and improve service delivery.** Yet, high electricity costs are raising production costs, thus hampering firms' competitiveness and acting as a disincentive for investment. The poor condition of existing roads due to the lack of maintenance and spatial disparities also represent important bottlenecks for private sector activity. This is of particular importance given Nicaragua's reliance on international trade and that high transport and logistics costs primarily affect traditional import and export products, which tend to be low unit value agriculture products. One pressing need is to improve access to markets and services in rural areas by continued investment in rural road infrastructure. In addition, investment on water management infrastructure is critical, given its impact on both agricultural productivity and water availability for human consumption. Low and unequal access to good quality water and sanitation services are also barriers to poverty reduction.

27. **High private investment is crucial for increasing productivity, lifting Nicaragua onto a higher growth trajectory and creating more and better jobs.** Although the country's low wage environment has been quite successful in attracting FDI, strengthening institutions, as further described below, and addressing certain investment climate issues could bring more and higher quality investments. For example, limited access to finance for Micro, Small and Medium Enterprises (MSMEs) constrains private sector activity and job creation. Formalities and procedures at customs and other border agencies lead to delays and increases in costs of firms' eroding competitiveness. Low productivity makes increasing market competition a priority. The light manufacturing sector faces challenges of lack of value addition and product diversity. In addition, the special economic zones, under which some of these firms operate, have fallen short in forging backward linkages to the domestic economy. Some pressing issues for the private sector include moving towards higher value-added sectors in manufacturing and increasing productivity and market premiums through traceability in the cattle and dairy industry. To increase output and productivity and spread the benefits of growth, the challenges facing women must also be tackled. There has been significant progress in terms of reducing gender disparities, but progress has been uneven. On one hand Nicaragua is the best performer in the region in terms of female participation in firm's ownership and in top management, and is among the best performers in terms of female political participation. On the other hand, although there has been an improvement, the rate of participation of women in the labor market is still one of the lowest in LCR. In sum, Nicaragua needs to improve its investment climate and business environment, in particular for Small and Medium-Term Enterprises (SMEs), by increasing access to finance and addressing regulatory constraints, transparency of public processes and barriers to competition.

28. **Nicaragua is highly exposed to natural disasters and climate change.** The spatial distribution of urban centers, rapid urbanization and proliferation of precarious settlements, high concentration of poverty in rural areas, and the impact of weather events on water resources and agriculture are some factors contributing to increased vulnerability to natural hazards and climate change. Areas for policy action include the need to enhance early warning systems for natural hazards, a better integration of knowledge of disaster risk management in land-use planning, building resiliency in public infrastructure, namely identifying vulnerabilities in the road network, and better managing increased climatic risks in agriculture. These problems are exacerbated by mismanagement of natural resources. Nicaragua's capacity to promote sustainable growth depends heavily on how well its natural resources (soil, water, and forests) are managed. This is critical in view of the growing and competing demand for these resources and the fact that their supply is becoming more limited and less reliable. Some areas of interest include improving water management across sectors given the existing seasonal and spatial disparities, strengthening water pollution control and remediation programs, reducing deforestation and land degradation and promoting, tree crops, sustainable forests and higher yield/less land intensive agriculture and livestock.

29. **Reducing the country's external vulnerabilities arising from its large current account deficits is an important goal.** While lower oil prices since 2014 have temporarily reduced vulnerabilities on the external side, the decline in Venezuela's oil cooperation financing and potential oil price increases in the near to medium term pose significant risks to fiscal balances, as well as macroeconomic uncertainty more generally. Building up fiscal buffers and increasing the available fiscal policy tools as well as taking additional steps toward a more diversified mix of energy sources, including geothermal energy, would improve fiscal sustainability, facilitate smoothing the economic cycle, and limit government subsidies. These have averaged around 1.6 percent of GDP in the past 5 years. Diversifying away from oil into geothermal energy, would also reduce the volatility of tariffs that accrue from fluctuations in the price of oil. While development of Nicaragua's geothermal capacity stalled during the 1990s, it has picked up due

to interest from some Independent Power Producers and development banks. Nicaragua currently has one geothermal field in operation with an installed generation capacity of 70 MW. The government was the sole developer in the early drilling stages. It is presently working with the WBG to design and implement a cost shared resource risk mitigation scheme. The goal is to sufficiently reduce the risk to qualified private developers so that they are incentivized to undertake the development of geothermal fields by mobilizing the remaining risk capital. Policies aimed at improving competitiveness and strengthening the fiscal position of the government are also critical policies for improving the trade balance and the government's ability to respond to external shocks.

30. **The SCD also found that strengthening institutions and improving public sector efficiency were key pre-conditions for progress in the priority areas summarized above.** Nicaragua faces significant challenges in terms of institutional quality.^[2] The country has improved in some World Governance Indicators. For example, Political Stability, Government Effectiveness and Rule of Law have improved since 2006. On the other hand, governance indicators measuring Regulatory Quality, Voice and Accountability and Control of Corruption have declined. Control of Corruption is around the 20th percentile (80 percent of countries are better than Nicaragua) and has been raised repeatedly by the private sector as one of the key areas of concern. Public sector services are stressed in face of the sustained growth of the past ten years. Government inefficiencies have also consistently been identified by businesses as a major constraint. In addition, there is a need to strengthen knowledge, capabilities of civil servants, and systems for the civil service, including informing the public of the collection and use of public resources in delivering government services. Finally, while the foundations of a market economy are well established, there is still an extensive agenda of reforms needed to improve the regulatory framework and the competitiveness of the economy. For example, to increase private investment, including in the provision of public goods through Public Private Partnerships (PPP), government needs to implement a program of reforms to reduce perceived risks to the private sector.

3. WORLD BANK GROUP PARTNERSHIP FRAMEWORK

31. **The WBG engagement supports the GoN's efforts to reduce poverty by accelerating economic growth, generating employment for a large share of Nicaraguans and improving access to quality basic services for the most disadvantaged.** The engagement has a particular focus on specific marginalized groups notably women and young people, indigenous peoples and Afro-descendants as well as lagging areas (the Caribbean and Dry Corridor regions). A series of selectivity filters were used to define the WBG program, both at the strategic or pillar level and at the objective and outcome level. The resulting WBG program is organized in three pillars and seven objectives altogether.

A. Selectivity Filters

32. **Three selectivity filters were applied in a structured filtering process:** (i) consistency with the priority areas identified by the SCD; (ii) alignment with the government's own program and existing requests for WBG support through several rounds of in-country consultations with the government, donors, other international institutions, and stakeholders in Nicaragua; and (iii) comparative advantage and the experience of the WBG. This step included taking into account IDA 18 priority themes, the WBG's

^[2] Since the 1990s, Nicaragua has gradually embarked in a transition process from being a conflict-affected state toward becoming a relatively effective state. According to the 2011 WDR, even the fastest transforming countries have taken up to 30 years to raise their institutional performance from that of a fragile state to that of a functioning institutionalized state.

increased focus on mobilizing financing for development through the cascade approach, and lessons learnt from the FY13-FY17 CPS. The WBG then validated the proposed selection through a final round of close dialogue with the government and stakeholder consultations in Managua, and in the Caribbean region.

33. Selectivity Filter 1— Focus on SCD priority areas and consideration of identified knowledge and data gaps: As set out in detail above, the SCD identified five development priorities for Nicaragua and one cross-cutting theme. The CPF pillars and objectives reflect these priorities. In addition, the SCD also highlights several knowledge gaps. These gaps fall into two categories: (i) data gaps (related among others to poverty data at a more disaggregated geographical level and to firm level data such as labor or enterprise surveys); and (ii) analytical gaps (related to the poverty impact of social protection programs, the impact of women entering into the labor force, and the implications of recent tax reforms). This knowledge agenda is included in each of the pillars as relevant complemented by knowledge products identified in the preparation of the CPF.

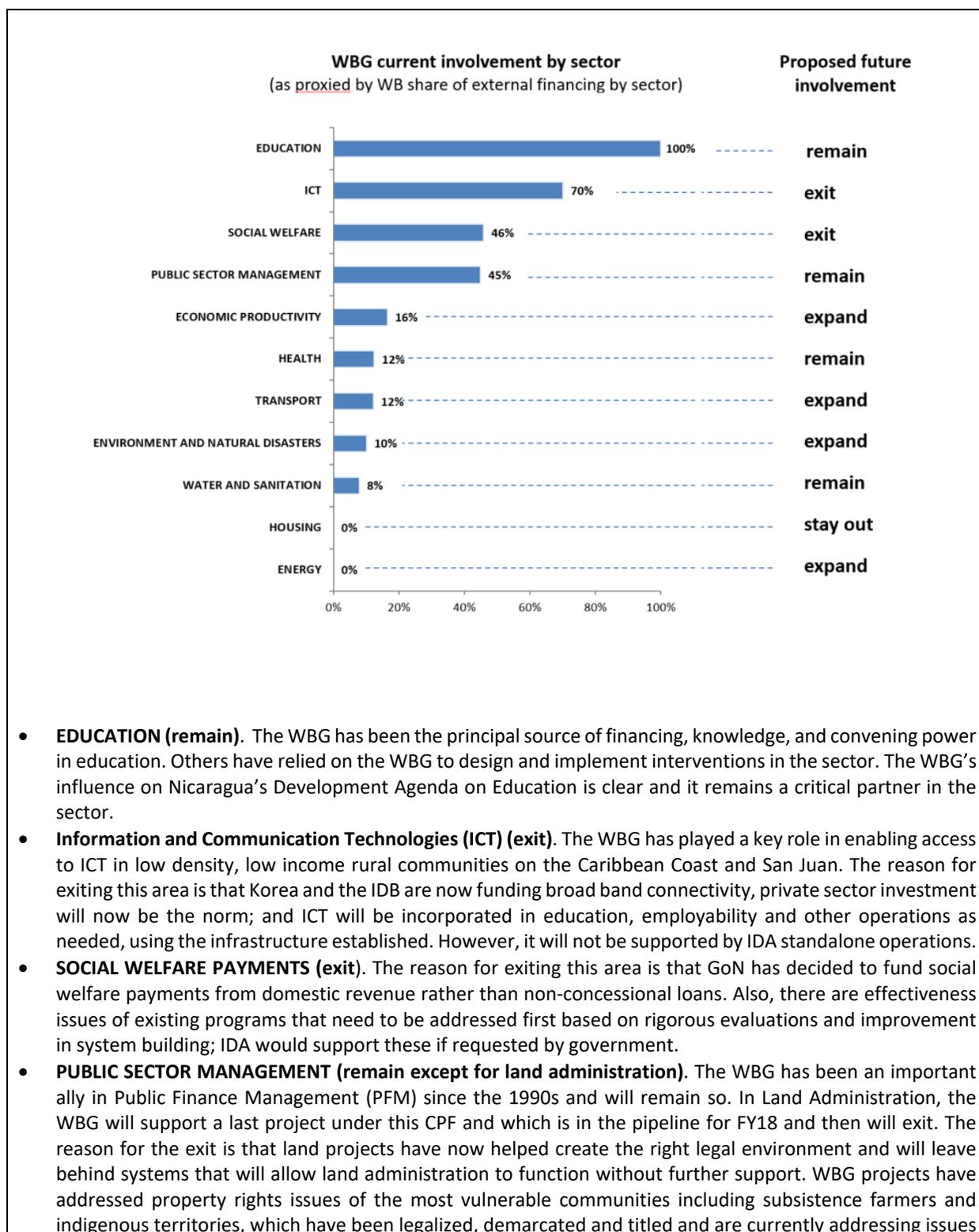
34. Selectivity Filter 2— Alignment with the government’s program: With a focus on eradicating poverty and reducing inequality, the PNDH coincides with the WBG’s Twin Goals. The Nicaraguan Government is maintaining implementation of its National Development Plan (2012-2016) and is in the process of revising the Plan for the period 2017-2021 and has extended the current plan until the new one is issued. The priorities of this plan continue to be relevant for the country’s growth and development and include ensuring access to free and quality health and education services; investing in the rehabilitation and construction of critical infrastructure, fighting against drug trafficking and organized crime, ensuring food security, addressing challenges for enhancing the country’s competitiveness, attracting foreign investment and building capacity for environmental protection and disaster prevention among others. The Plan gives particular attention to the Caribbean region which lags behind the rest of the country. The CPF objectives are consistent with a subset of PNDH objectives.

35. Selectivity Filter 3—WBG Comparative advantage taking into account IDA 18 priority themes, the WBG’s increased focus on mobilizing financing for development through the cascade approach, and lessons learnt from the previous CPS. The WBG’s comparative advantage relative to other Development Partners (DPs) is partly a function of its existing commitment to individual sectors relative to other donors and partly a function of evolving government priorities and WBG investment in knowledge and technical assistance. IFC and MIGA have been particularly active in renewable energy, financial inclusion and agribusiness and will continue to focus on these sectors. The International Development Association (IDA) has been a leading partner in education and Information, Communication and Technology (ICT); and has been a smaller, but still important partner in economic productivity, health, transport, environment and natural disasters and water and sanitation. In contrast IDA has been absent or with a low profile since the previous CPS in the areas of urban development, housing and energy. This pattern, in part, reflects the current GoN allocation of lead roles among development partners in different sectors as for example: urbanization (Japan); water (Spain, Korea, the Central Bank for Economic Integration (CABEI), and International Development Bank (IDB); energy transmission and distribution (IDB); telecoms (Korea and IDB).

36. The application of the three selectivity filters has led to the identification of a program that presents changes relative to the previous CPS. In particular, the program contains areas of new engagement, areas where the WBG will continue to be active due to continued priority over the medium to the long-term, and areas where the WBG will remain active for a limited time due to legacy and the need to ensure sustainability of the achieved progress. Figure 1 presents the shifts in the program by

sector, and Annexes 7 and 8 give an indication of the timeframe of the shifts in the lending and Advisory Services and Analytics (ASA) program over the IDA 18 and IDA 19 cycles.

Figure 1: WBG Current Involvement by Sector or Activity



in Managua which are critical for business transactions. Future land interventions could be included in IPFs in other sectors if needed.

- **ECONOMIC PRODUCTIVITY (expand).** The WBG has been involved in several sectors of the economy. Economic productivity has been the area of focus for IFC and MIGA. IDA has focused on agriculture in the poorest regions. Going forward, the WBG will assist the government with a growth strategy that will identify key sources of future growth and facilitate prioritization of government interventions. IDA is now helping build resilience and adaptation to climate change which are key for the future of Nicaragua's development. In the future IFC will expand its involvement in agribusiness and seek investments in tourism, light manufacturing and other sectors. IFC will also remain involved in support to SMEs through financial services.
- **HEALTH (remain).** The WBG has been in the sector for many years and will remain engaged for legacy. Earlier, the focus was on access to health services. Integrated quality and efficient delivery of health services are becoming the key issue. While the WBG is not the only financing source of the sector, the government relies on the WBG to provide financing and expertise, particularly in strengthening public health systems and their sustainability.
- **TRANSPORT (expand).** The WBG has been for many years, the leading knowledge provider to the sector. It has also provided financing for rural roads and convening power to leverage additional funding from other DPs. The WBG remains an important partner in the implementation of its Road Development Program, which is also key for economic productivity, especially in in Planning, Monitoring, Evaluation, Safeguards, and resilience to climate change. The WBG's priority has been small rural roads in the poorest communities while IDB and CABEL have focused on main roads. The proposed FY18-22 CPF will focus on sustainability in the roads sector including an increased focus on maintenance. In this context, IDA and IFC also plan to assist with the first PPPs in the country which are expected to be in the transport sector.
- **ENVIRONMENT NATURAL RESOURCE MANAGEMENT AND DISASTERS (expand).** Given the country's vulnerability to climate change and natural disasters, and the need to improve the management of natural resources (soil, water, and forests), the WBG's expertise, positioning in climate related funding, and convening power on these issues make it a critical ally in Nicaragua.
- **WATER & SANITATION (remain in the rural sector, exit the urban sector).** Since 2015, the WBG its efforts on the rural sector providing financing, knowledge leadership, and convening power. The WBG remains a critical partner bringing knowledge as well as finance and the ability to align investors to ensure quality and efficiency across the sector. The proposed FY18-22 CPF will pay increased attention to the sustainability of water services by addressing issues such as limited maintenance, better allocation of water resources and water scarcity caused by drought. The reason for exiting the urban sector is that other donors such as Spain, Japan, Korea, CABEL, and IDB have prioritized urban Water Supply and Sanitation (WSS), while rural WSS remains underserved. Support for broader water resource management will nevertheless continue to address urban water supply and quality issues.
- **HOUSING (stay out).** The IDB and CABEL have led the financing and provision of technical expertise to this sector among DPs. There has been no demand for the WBG to participate in the sector.
- **URBAN DEVELOPMENT (stay out).** While key for growth and jobs several DPs are investing substantial resources in urban areas, particularly in Managua, across a range of services including water, urban planning, urban transport and historical rehabilitation, etc. Key DPs in urban are the IDB, CABEL, Korea and Japan. The WBG may assist with urban PPPs in transport and sanitation if these prove to have a high probability of success.
- **ENERGY (expand renewables).** The WBG's knowledge has helped shape a geothermal development strategy, a geothermal energy investment as a PPP, and an optimum energy matrix strategy. IFC and MIGA are engaged in renewables and are exploring the feasibility of expanding their involvement. Further work is expected on energy efficiency and solar energy. However, the WBG will remain out of the transmission line and distribution sectors as the IDB and others invest heavily in these sub-sectors. The WBG will assist government with additional PPP transactions if these prove feasible.

Source: Ministry of Finance and World Bank calculations.

37. **The program, as shaped by these selectivity filters, was developed in close dialogue with the government and validated through stakeholder consultations in Nicaragua.** Consultations were carried out with the government at the ministerial level, with development partners, think tanks, foundations, and the private sector. For the most part consultations validated the envisaged approach. Recommendations included: (i) to focus more on strengthening government systems than initially envisaged, namely in education, health, as well as water supply and sanitation in the operations planned for these sectors to improve efficiency and sustainability; (ii) to avoid enlarging the mandate of public agencies beyond their existing administrative remit; (iii) to include more economy-wide measures and areas with high growth potential and not focus only on targeted interventions in remote areas and for disadvantaged groups; (iv) to continue to actively explore options for integrating with other DPs either through joint development of strategies, co-financing or other; and (v) to focus even more on key areas that reduce Nicaragua's competitiveness namely energy costs, business and investment climate and land administration.

38. **The proposed CPF is also closely aligned with the WBG's core institutional areas of focus.** The identification of five IDA themes has strengthened the institution's comparative advantage in those areas:

- *Jobs and economic transformation.* Two of the three pillars of the CPF program focus on employability of the population including disadvantaged groups, better education and skills and on spurring growth that creates more and better jobs, fully aligned with the jobs and economic transformation theme.
- *Gender.* The program has a strong focus on gender namely through instruments that address teenage pregnancy and interfamily violence (through IDA) and support to women led SMEs and financial inclusion of women (through ASA and IFC).
- *Climate change.* The third CPF pillar addresses vulnerabilities from climate change both at the macro level and at the sectoral level but issues of climate change are internalized throughout a number of activities proposed including infrastructure such as a climate resilient road infrastructure. The focus on renewables from IDA, IFC and MIGA will help the country reduce Greenhouse Gas (GHG) emissions consistently with the Paris agreement.
- *Governance.* Finally, key governance issues including public sector efficiency and access to information to inform policy formulation are addressed through public sector management interventions as well as in activities to enhance public sector delivery.
- *Stability and security.* As approximately 80 percent of Nicaragua's population remains at risk, sustaining Nicaragua's economic and social stability while ensuring security are a key underlying concern in the CPF program. As a result, priority will be given to interventions targeting disadvantaged groups, as well as job promotion and generation activities.

39. **The WBG's focus on maximizing finance for development including through the private sector has also influenced the areas in which the WBG can offer a comparative advantage in particular through the collaboration of IDA, IFC and MIGA, combined with ASA.** Activities to enhance financial inclusion and firm productivity are an example of this collaboration. So far, work in this area has been led for the most part by IFC and MIGA with IDA focusing on assistance to agriculture in very disadvantaged regions with high concentration of poverty. The new program envisages complementary ASA in developing a financial sector strategy that can set the framework for optimizing the use of WBGs, microfinance organizations, and the cooperatives sector with a focus on enabling SME investment. IDA is also helping improve the business, investment and trade environment to facilitate private investment to spur growth and jobs. While IDA will continue to support rural connectivity in remote areas, it is also assisting the government in improving the policy environment for PPPs – e.g., by increasing transparency - and in identifying key transactions which would be eligible for private sector financing (see further under the Proposed WBG

Partnership Framework below). Finally, the CPF includes assisting the government with a strategy to transform the agriculture frontier in the Caribbean region into a more sustainable and productive land use model through responsible private investment and rural alliances between international investors and local producers to minimize the financial burden on governments.

40. Five lessons from the previous CPS period, drawn from the CLR (Annex 9) and summarized below, have informed the design of the proposed FY18-22 CPF, as follows:

- The future program will aim to strike a balance between scaling up successful interventions and taking on new, higher risk, activities that are needed for economic transformation. An example of the latter is the proposed support for geothermal energy. Another is the transformation of the agriculture frontier in the Caribbean region.
- The new CPF will build on the experience that promoting women's participation can have a transformative impact in eradicating extreme poverty and increasing shared prosperity. Closing gender gaps is a key feature in Objectives 1, 3 and 4 of the proposed new CPF.
- Leveraging additional resources to finance well designed programs can help achieve results with modest resources: with a limited IDA allocation, joining forces with other donors is critical to achieving long-term results. The proposed FY18-22 CPF also emphasizes leveraging private finance.
- Implementation arrangements need to be appropriate to development objectives and grounded in realistic assessment of local conditions. The proposed FY18-22 CPF will deliver financial support through investment project financing, rather than Development Policy Operations, in line with government capacity in the area of due diligence, transparency and accountability.
- Not all sectors in Nicaragua enjoy the same access to quality data; developing databases and monitoring and evaluation systems is critical for achieving results. ASA will be an important means of bulking out aspects of knowledge that are still thin such as poverty data.

41. In summary, the proposed FY18-22 CPF maintains the previous CPS focus on public services and competitiveness while expanding support in three areas: private sector, sustainability, and governance.

While Nicaragua has been doing relatively well during the past 10 years its gains need to be further boosted and sustained. The CPF will have a much stronger focus on the private sector, by strengthening aspects of the enabling institutional environment required to reduce risks faced by private investors (while taking appropriate steps to safeguard natural and social assets) and creating opportunities for private participation in the provision of public goods e.g., through PPPs. The CPF will also help bolster the sustainability of these gains in three dimensions: (i) reducing the vulnerability of Nicaragua's development model to external shocks and natural hazards and improved natural resource management; (ii) improving the ongoing delivery of public services by encouraging improved maintenance and allocation of recurrent budget financing; and (iii) strengthening institutions, including the regulatory framework for markets and organizations. Finally, the CPF will address other issues of governance which create risks for investors and can hamper the effectiveness of public services. Some of these are higher risk areas and the CPF will aim at striking a balance between low risk, well tried interventions with gradual improvements, such as projects in roads and health, and higher risk, higher pay-off interventions in new areas with less accumulated experience. A case in point are interventions in the Caribbean region where projects historically did not perform as well. Finally, given the importance of policy reforms for unleashing growth and investment in Nicaragua, the CPF will also give higher priority to ASA and policy dialogue either formally or through operations.

B. Proposed WBG Partnership Framework

42. **The FY18-22 CPF will support three mutually reinforcing pillars and seven objectives.** The pillars are:

1. Investing in human capital in particular for disadvantaged groups
2. Enabling private investment for job creation
3. Improving institutions for resilience and sustainability

where Pillar 1 covers labor supply, including its quality to ensure that Nicaraguans are healthy, and have the skills and preparation to seize economic opportunities. Pillar 2 covers labor demand, in particular the generation of employment opportunities through the private sector. Pillar 3 aims at ensuring institutional sustainability of the gains and resilience to economic and natural shocks.

43. **The objectives and their constituent outcomes are not an exhaustive description of all WBG activities.** Rather they are intended to indicate the core thrust of WBG intentions. Thus, the allocation of an objective to a specific pillar (and an indicator/outcome to a specific objective) does not preclude a contribution of that objective to another pillar (or prevent an indicator also contributing to another objective). For example, basic education, which is assigned under the first pillar, will also contribute in part to the second pillar.

Pillar 1: Investing in Human Capital in particular for Disadvantaged Groups

44. **Investing in Nicaragua's human capital is a critical requirement for the country to endow Nicaraguans with the necessary capabilities to enter quality job market.** Under the first Pillar, the WBG will take a life cycle approach beginning with a focus on Early Childhood from both an education and health perspective. It will invest in the education, employability and health of Nicaraguans through its existing portfolio and planned operations such as the Productive Inclusion and Employability Project and an Integrated Public Provision of Health Care Services Project (P164452). This will be informed by a program of ASA including in Early Childhood Development.

CPF Objective 1: Improved Learning Conditions and Employability

SDG 1 End poverty in all its forms everywhere;

SDG 4 Ensure inclusive and equitable quality education and promote life-long learning opportunities for all;

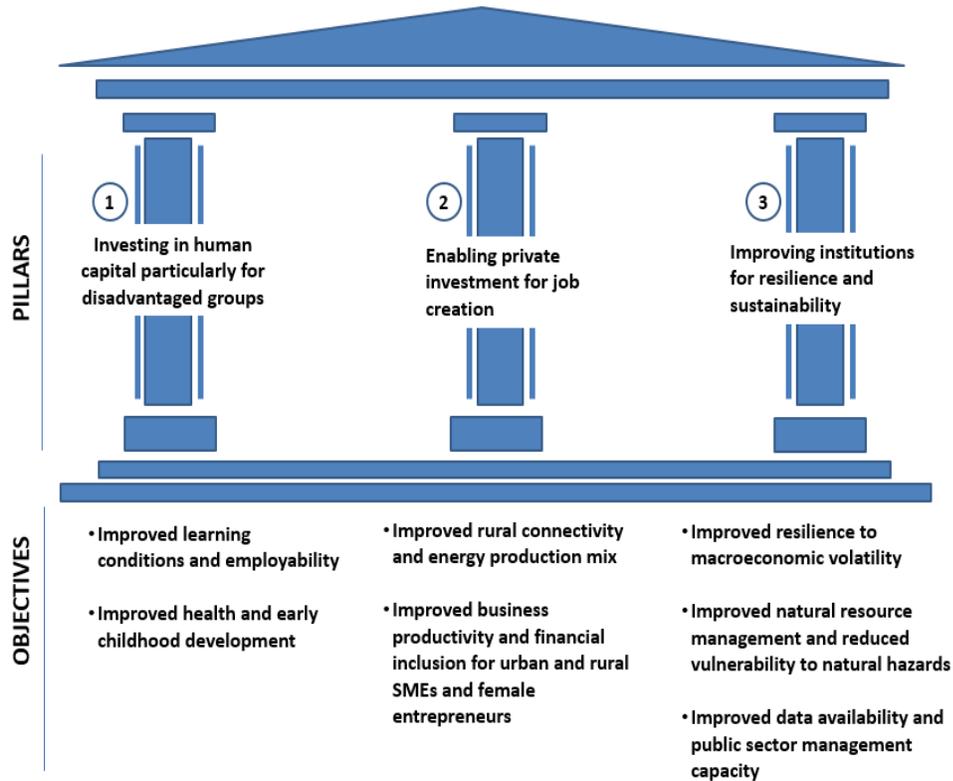
SDG 5 Achieve gender equality and empower all women and girls;

SDG 8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Summary of indicators:

- 1.1 Number of primary and secondary education teachers with improved teaching practices in selected municipalities
- 1.2 Percentage of pre-school teachers with desired teaching practices
- 1.3 Increased earnings of workers participating in employment program at least six months after program completion

Figure 2: Structure of Nicaragua FY18-22 CPF



45. **This objective focuses on improving access to and the quality of the education system and the skills needed to improve job outcomes.** Since 2008, Nicaragua has improved access and retention in basic education (grades 1 to 9) and increased attainment (average years of completed education) of emerging cohorts. However, primary and secondary completion rates remain low, and learning outcomes (based on test scores) continue to be among the lowest in Central America.

46. **The WB will support the government’s activities aimed at improving, and reducing disparities in, learning outcomes.** WBG support will build on existing interventions in the area of early childhood development (ECD) such as the training of pre-school teachers under the Alliance for Education Quality Project (ACE) program, parent training and other aspects of ECD. The FY18-22 CPF will include an enhanced focus on building parenting skills, including early encouragement of children’s social and emotional skills, and the increased provision of preschool and day care centers. To improve learning outcomes in schools, the top priority is to further enhance teacher capacity and practices. It is also important to strengthen the government’s capacity to conduct learning assessments. As the latest WDR states, it is essential to “assess learning, to make it a serious goal.” In addition, many schools do not meet minimal physical quality standards and therefore WBG operations would continue to focus on school infrastructure. It will increase the relevance of the curriculum for the job market, and develop systems in support of lifetime learning. This will complement other efforts from government, other donors and IFIs, private sector and foundations. The CPF will therefore support the government in a small number of critically important themes.

47. **The second main focus of the CPF is on employability and improving support to life-long learning including through employment programs.** In particular, the focus is on shifting towards a system better able to respond to demand and to meet the needs of those for whom academic education is not appropriate and/or who have left the formal school system. Special focus will be given to women, youth, drop-outs, and pregnant teens. The WBG will support the government in strengthening its flagship employability program, Learning, Entrepreneur, Working, and Prospering Program (LEWP). The program allows the GoN to connect several institutions with experience in offering services to improve skills, and competences for the labor market, while at the same time creating synergies with employment services, and skills development along with seed funding for entrepreneurship. LEWP seeks to address constraints in labor supply and demand in an integrated manner. Periodic assessments will be carried out of the market's needs to inform the delivery of skills. The Learning Component could include technical, vocational and life skills training courses and the provision of internships responding to employers' needs. The Entrepreneur Component could include employment and income generation activities for the self-employed or aspiring for self-employment, by financing entrepreneurial and technical training, business plan development assistance, business start-up grants, and start-up technical assistance. The WB has been supporting the creation of jobs in the Information Technology (IT) Industry through a certification program for IT/ITES related skills.

48. **The WBG will also support the GoN in strengthening the on-going productive inclusion programs for improved targeting and efficiency.** This would include the establishment of a National Registry of Beneficiaries; assessment of current programs and their possible phase out or scale up; Management Information System (MIS) development; strengthening of targeting instruments, staff and Monitoring & Evaluation (M&E) capacity, among others.

CPF Objective 2: Improved Health and Early Childhood Development

SDG 1 End poverty in all its forms everywhere

SDG 3 Ensure healthy lives and promote well-being at all ages

SDG 6: Ensure availability and sustainable management of water and sanitation for all

Expected outcomes:

Summary of indicators:

2.1 Increased share of adolescent (< 20 years of age) mothers delivering in institutions in selected municipalities

2.2 Number of people in rural, indigenous areas provided with access to improved water supply and sanitation services

49. **This objective focuses on helping create basic conditions in health and early childhood development to enable Nicaraguans to lead fully productive lives.** Health outcomes have improved markedly; for example, life expectancy has increased 15 years since 1990. Increased attention to early childhood has also reduced malnutrition and infant mortality. However, these gains are uneven in the country with rural areas, in particular in the Central and Caribbean regions lagging the rest of the country.

50. **The CPF includes a focus on nutrition in early childhood in poor rural households with a focus on the poorest regions of the country particularly in the Central (Dry Corridor) and Caribbean regions.** It will give special attention to nutritional education and nutrition-sensitive agriculture. The CPF also proposes support for pregnant adolescents as a component of other interventions to help young mothers meet the needs of children while at the same time pursuing a productive life.

51. **The WBG will focus on improving the quality of health care services, both prevention and provision, for the most common health conditions.** It will support a decentralized, community based approach appropriate for rural areas. The program would also oversee the development of systems to address climate sensitive diseases (Malaria, Dengue, Zika and Chikungunya), prevention and control of major chronic diseases, inclusion of traditional therapies and implementation of strategies to delay adolescent parenthood. Finally, the CPF would support hospital services in the Caribbean region which is seriously underserved and help government address epidemic emergencies that may arise during the CPF period.

52. **The WBG will also continue to implement the community based rural water and supply sanitation program to reduce the risks of water borne diseases, especially in the Caribbean region.** The program focuses on increasing access to water supply and sanitation services in rural areas while strengthening the government's institutional capacity for coordination, planning, operation and maintenance in order to assure the sustainability of these services. The benefits of the provision of these basic services go beyond their impact on public health and can have an important impact on productivity in those areas. Sustainability of rural water supply systems has been an issue especially in the drier areas of the country, which is also where the greatest number of poor people are located. The program would factor in the risk of climate events such as droughts and support systems that address climate variability. The CPF will also support a Water Security Strategy (see further below) and will help with better allocation and management of water resources as well as the institutional framework for their management; this would improve WSS sustainability in municipalities critically affected by periodic water scarcity.

Pillar 2: Enabling Private Investment for Job Creation

53. **While the first pillar focuses on enhancing the quality of education and health, and hence human capital, the second pillar focuses on additional steps to attract investment that boosts the productivity of firms to increase economy-wide job growth.** The key elements of this approach comprise: (i) financing key infrastructure to improve transport links in rural areas and to shift the composition of energy sources in favor of renewable energy to reduce business costs; and (ii) supporting a program of reforms to improve the business environment and promote private investment particularly by improving SME access to financing including for small farming landowners.

CPF Objective 3: Improved Rural Connectivity and Energy Production Mix

SDG 1 End poverty in all its forms everywhere

SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all

SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Summary of indicators:

3.1 Decrease in total travel time to access markets and services in selected areas

3.2 Number of transport projects under tendering for PPP procurement

3.3 Installed megawatts (MW) of power generation from renewable sources

3.4 Enhanced regulatory framework for integration of renewable energy technologies

54. **This objective focuses on improving or creating key transport infrastructure and power generation capacity to increase the competitiveness of the economy from lower trade and energy costs.** Under this objective, the WBG would help improve the rural roads network serving disadvantaged areas and assist the government with the first PPP transactions in the transport sector to address logistics bottlenecks. In addition, the WBG has also been supporting Nicaragua through connectivity infrastructure

for improved regional telecommunications linkages. This work has been providing regional broadband communications infrastructure, deployed in Nicaragua's Caribbean coast, an area with one of the lowest Internet penetration rates and one of the highest poverty rates in LCR. Connectivity is being provided for at least 44 locations, including schools and health centers, several universities, and public entities and cooperatives. The WBG would also support expansion of renewable energy – geothermal, solar, wind – to lower energy costs including by sheltering the country from volatile and potentially high oil prices. Nicaragua has among the highest electricity costs in Central America and this is often given as the key constraint faced by Nicaraguan firms and demotivating potential foreign investors.

55. **The WBG will continue supporting activities aimed at improvements of rural roads to facilitate access to basic services.** The WBG has been involved in this area in Nicaragua since 2000. It will continue to support transport investments building on the success of the community run model of stone laying for rural road construction which has been an effective job creation instrument for vulnerable communities, including women, generating over 9,500 short-term direct jobs to date. Climate change and road safety aspects will be emphasized to build resilience to heavy rainfall, flooding, and landslides and mitigate road crash risks and increased attention will be given to maintenance issues. The WBG will also support the government in mobilizing commercial financing for transport infrastructure. Nicaragua has the legal framework needed for PPP in the transport sector. To translate this framework into actual investments, it will be important to demonstrate the operational feasibility of investing in the sector through pilot projects. Building on the experience in other sectors such as energy, the WBG will support PPPs in mid-sized, relatively uncomplicated projects in the national road network. For example, PPPs can help increase efficiency in the sector, ensure long-term road maintenance, and help reduce logistics costs.

56. **The WBG will further support the GoN in its efforts to increase the share of renewables in the energy matrix.** MIGA has already issued guarantees to cover an equity investment in Eolo Wind Farm, against the risks of transfer restriction, expropriation, and war and civil disturbance. The IFC, along with several other multilateral and regional financial institutions finances the 72 MW San Jacinto-Tizate Geothermal Plant one of the country's two existing geothermal power plants. The WBG has also been providing technical assistance to the GoN since 2015 to further support the development of the country's geothermal resources. The proposed Nicaragua Geothermal Resource Risk Mitigation Project, which would be financed through a US\$45 million credit from IDA, and the co-sponsored IFC/IDA Scaling Solar Program would help the government reach its objective. Since 2015, the WBG has also begun providing additional technical assistance on wider renewable energy integration in the power system to adequately manage their inherent variability, and structuring the Energy Efficiency national strategy and initiatives through the regional programmatic activity Central America Energy Assessments. Potential initiatives in the Energy Efficiency field will further reduce the need for oil imports.

57. **Consistently with the principle of Maximizing Finance for Development, the WBG will support the GoN in improving service delivery through PPPs in the areas of energy, transport and other key sectors.** The WBG has supported institutional strengthening of agencies responsible for PPPs including MHCP, ProNicaragua, as well as in several line ministries. The GoN also remains committed to strengthening the regulatory environment for PPPs and ensuring a stable pipeline development process. Future technical assistance (TA) priorities include: legal/regulatory and institutional reform; capacity building and training; and pipeline development, with a focus on key mostly transport transactions. The expected overall outcome of this work would be a robust regulatory framework, stronger institutions and, most importantly, efficient infrastructure that better delivers services to Nicaragua's people.

58. **The expected overall outcomes in this area are lower transportation costs through improved infrastructure and lower power generation costs through reduced vulnerability to the impacts of high and volatile oil prices.** This will be achieved through an improved rural roads network serving disadvantaged areas and potentially the first PPP transactions in the transport sector to address logistics bottlenecks. A more efficient energy consumption and a greater diversification of the generation mix with renewables by mainstreaming private investment in the power sector will contribute to lower energy costs. IDA will co-finance geothermal exploration and exploitation through a risk sharing project with the private sector. IFC is seeking to expand its support to solar power. ASA will assist the government in readdressing the energy matrix towards lower costs and greater efficiency including with demand side interventions.

CPF Objective 4: Improved Business Productivity and Financial Inclusion for Urban and Rural SMEs and Female Entrepreneurs
SDG 1 End poverty in all its forms everywhere
SDG 8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
 Summary of indicators:
 4.1 Share of firms with bank loan/line of credit
 4.2 Improved competitiveness and ease of doing business
 4.3 Increased agricultural/livestock productivity among targeted beneficiaries in the Caribbean and Dry Corridor regions

59. **This objective focuses on improving productivity through interventions at the strategic, regulatory, and financing level.** Some of the interventions under this objective are economy-wide while others are targeted to disadvantaged groups such as youth, women, subsistence farmers, Indigenous and Afro-descendant as well as lagging regions.

Figure 3: Application of the Maximizing Finance for Development Approach in Agribusiness with Selected Examples of Potential Interventions

CPF Objective: Improved business productivity and financial inclusion for urban and rural SMEs and female entrepreneurs		
IDA/WB	IFC and MIGA	Private sector
<ul style="list-style-type: none"> • Collaboration with the government on a growth strategy including agribusiness • Upstream reforms to improve the institutional and regulatory framework for businesses in the agricultural sector including for example phytosanitary standards • Lending for rural roads to reduce logistics costs and stimulate the productive sector 	<ul style="list-style-type: none"> • IFC and MIGA risk insurance and capital for microfinance and farmers in selected agribusiness subsectors 	<ul style="list-style-type: none"> • Private sector companies invest in selected agribusiness subsectors due to improved risk return trade-off through IFC and MIGA involvement

60. **At the strategic level, the WBG will support the government with the development of a growth strategy for the country to help assess future job demand.** While Nicaragua has experienced solid growth rates since 2009, there is a lack of a shared vision of where economic growth is going to come from, and hence where jobs are going to be created. This strategy can help the mobilization of resources, including financial ones, in a more coordinated way to support an acceleration of growth. A robust and well-functioning financial sector has a critical role in intermediating savings into domestic investment and in allocating scarce resources effectively, with positive impact on economic growth. The WBG will provide support both in terms of the process as for example through the organization of round tables with public and private sector participation on functional topics such as financial inclusion to unlock growth and also in terms of sectors with a good potential to attract investment both domestic and foreign such as agribusiness and tourism. The WBG will also provide ASA work on the nature of economic growth including for example patterns, channels, and the impact of macroeconomic and growth volatility on job creation and different parts of the population. The WBG assistance in this area is complementary and closely coordinated with the government's work on the PNDH, the government's development plan, which is under preparation, and with IDB support that is focused on a logistics strategy and public private dialogue around this topic.

61. **The Ministry of Finance is also working with the Higher Council for Private Enterprise (*Consejo Superior de la Empresa Privada*) to assess proposals for improving the business environment.** Options emerging from a 2017 WBG diagnostic of barriers to enterprise in Nicaragua include: streamlining processes and procedures (such as expediting the issuance of proof of land use by the Mayor's Office and streamline phytosanitary procedures); regulatory improvement (such as reforming the Commercial Code to grant greater protections to minority investors; and issuing a regulation for the implementation of the Law on Secured Transactions); implementation of electronic systems (such as the digitization of the *acquis* of the Public Registry of Property and Cadastre); and improving issues of institutional transparency (such as dissemination and publishing statistics on the performance of jurisdictional bodies). As a result of this work, the government and WBG are exploring together the design and implementation of a program (either as part of a lending operation or an advisory services program) to implement reforms in areas they consider a priority.

62. **The WBG will also explore options for improving the overall environment for exporters and importers of goods and services.** Nicaragua ratified the World Trade Organization (WTO) Trade Facilitation Agreement (TFA) in August 2015 and was the first country in Central America to do so. Most provisions of the TFA are now mandatory and could substantially reduce the costs of trade. The WBG will explore designing new processes and systems to improve the time required to export and import; helping with the implementation of a new customs system; supporting the implementation of a trade portal using *Trámites Nicaragua*; developing specific infrastructure, logistics and transport services for SMEs and women traders (e.g., cold chain transport services and storage facilities to reduce crop loss and to facilitate getting products to market); and expanding the food registration IT system to other phytosanitary registries, such as medicines and agro-chemicals. In this context MIGA is considering the possibility of providing political risk insurance for an investor in the cultivation, processing and exportation of the Robusta type coffee bean, which is required for soluble or instant coffee production, in the province of Nueva Guinea. WBG activity in this area will complement IDB's support for trade facilitation.

63. **The WBG will pay special attention to small farming landholders supporting the GoN with measures aimed at increased productivity of farms in lagging regions i.e., the Central (Dry Corridor) and Caribbean regions.** These rural areas continue to lag in terms of productivity and growth. Most of Nicaragua's poor and extreme poor live in the Central and Caribbean regions with low yields and high

transaction costs. In the Central part of the country, the municipalities in the Dry-Corridor have the highest number of poor people and are periodically subject to drought that results in lower incomes and poorer nutrition. The Caribbean region is characterized by remoteness with lower access and higher costs of service delivery. Already IDA is assisting groups of farmers to shift to higher yield and market value activities in selected municipalities of the Caribbean region. A proposed Dry Corridor project (P162982) targeting 50 municipalities in the Central region, where most of the poor are located, is to be financed by IDA and other DPs. This project would help increase farm productivity and develop value chains supported by an improved delivery of public services and at the same time improve resilience to the impacts of periodic droughts.

64. **IFC and MIGA will be pursuing interventions to increase firm productivity including of those led by women.** IFC will continue to be engaged in the sugar and coffee sectors and MIGA is exploring the possibility of supporting the coffee sector. IFC is also supporting microfinance agencies and through them SMEs, in particular women-led SMEs. IFC is seeking to expand its engagement in agribusiness and tourism. IDA on the other hand will focus on the regulatory framework to lower transaction costs and will direct its investments towards lagging regions where most poor are located, with a focus on agriculture and the rural sector. Financial inclusion work will pay special attention to female entrepreneurs.

65. **The expected outcome for this work is overall improvement to the investment climate and increased productivity of rural and non-rural enterprises, in particular SMEs.** It will result in reduced time and costs and an enhancement of the quality of regulatory processes and legislature surrounding business entry, exit, and operations. The reforms will be concentrated in the areas covered by the Doing Business Report, especially those that the government chooses as priority areas in which to concentrate its reform efforts. It will also result in higher productivity of small farms particularly in the Caribbean and Central regions and integration into value chains under production models more resilient to climate change.

Pillar 3: Improving Institutions for Resilience and Sustainability

66. **Under Pillar 3 the WBG will support the GoN in ensuring sustainability of the growth path addressing challenges related to natural hazards, external shocks and institutional fragility.** The WBG program contains a range of instruments to address macroeconomic risks and natural hazards, as well as challenges with government capacity and public access to information.

CPF Objective 5: Improved Resilience to Macroeconomic Volatility

SDG 8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Summary of indicators:

- 5.1 Fiscal policy tool in place to manage oil price variability
- 5.2 Structural changes to reduce volatility in levels of expenditure on fuel imported for electricity through improved country conditions for more efficient energy consumption
- 5.3 Increase in the number of instruments that provide access to liquidity on time to immediate response after a disaster

67. **This objective focuses on supporting the GoN in reducing the country's vulnerability to macroeconomic volatility.** It will support measures to mitigate the economic and fiscal risks arising from external shocks and natural disasters. The envisaged WBG support consists of ASA and financing.

68. **The WBG will support the GoN in understanding better the sources of volatility it faces, the channels through which it permeates through the economy, and its impacts.** In terms of the fiscal accounts, this work aims at analyzing the effect both on expenditures and revenues and will be complementary to a public finance review described under Objective 7. In the outer years of the CPF this analytical work may lead to technical assistance on how to create fiscal buffers either through fiscal tools such as stabilization funds or fiscal rules. The analysis of income mobility will use poverty maps and synthetic panels to understand the risks posed by shocks and increasing climate variability. The WBG will continue its TA in support of the collection of the Living Standards Measurement Study (LSMS) survey on a more regular basis. Under this TA, the WBG will explore the possibility of including a panel component to the LSMS survey and updating the National Institute of Development's (INIDE) methodology for measuring consumption aggregates and poverty lines to reflect current preferences and consumption patterns. The WBG will also consider supporting the government's new Disaster Risk Finance strategy which is currently under development. Options could include the creation of complementary disaster risk financing instruments required for dealing with financial constraints in the aftermath of natural events.

69. **The WBG will support the government's efforts in diversifying the country's power generation mix and optimize energy consumption.** Diversifying the energy matrix will help reduce price volatility, resulting from over dependence on oil and bringing down costs for the country while stimulating growth and reducing poverty. The government's generation expansion plan calls for increasing the amount of renewables to 73 percent of the overall power generation mix by 2030. This would be achieved mainly through the installation of additional geothermal and hydro capacity. Wind, solar, and biomass, however, will also have a role to play. While Nicaragua has mainly relied on private-led development of the country's wind and biomass resources, the government is actively working to promote geothermal and hydro expansion, which usually require a greater level of public support to unlock. The GoN has also recently passed the Law of Energy (June 22, 2017), to help drive greater efficiency in energy consumption.

70. **In terms of financial support, the WBG will continue to support the better management of fiscal risks arising from natural disasters.** The WBG will, through the Nicaragua Catastrophe Risk Insurance Project (P149895), continue to support the country in financing the entrance fee and the annual insurance premiums to participate in the Caribbean Catastrophe Risk Insurance Facility (CCRIF) SPC. In parallel, the Central America and Caribbean Catastrophe Risk Insurance Project (P149670) and its related TA leverage donor resources to help build the needed reserves at an accelerated pace as well as ensure cheaper premium payments shared by all participating countries in the Central America and Caribbean region. Several countries have supported the expansion of the CCRIF SPC in Central America, with a Multi-Donor Trust Fund capitalized by the WBG, the European Union (EU) and the governments of Canada and the United States.

71. **The expected outcome of this objective is an increased ability of the government to manage fiscal risks stemming from natural hazards and external shocks.** Capacity to manage fiscal risk and respond to natural hazards would be strengthened through the development and active implementation of a risk management strategy.

CPF Objective 6: Improved Natural Resource Management (Water, Forest and Land) and Reduced Vulnerability to Natural Hazards

SDG 1 End poverty in all its forms everywhere

SDG 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification and halt and reverse land degradation and halt biodiversity loss

Summary of indicators:

- 6.1 Increased areas of forest protected, restored, sustainably managed and reforested in the Caribbean and Dry Corridor Regions, based on 2015 forest map
- 6.2 Improved information and management tools to enhance water resources management
- 6.3 Number of Disaster Risk Management (DRM) Programs in place to reduce vulnerability to natural hazards in selected sectors and high-risk areas.

72. **This objective focuses on improving the management of natural resources as a foundation for economic transformation of key sectors – agriculture, livestock and forestry.** This economic transformation is needed to increase yields and value added that generate higher incomes and create better jobs. It is urgent given the existing natural water variability of the country, the growing risks of overexploitation of ground water resources and the frequent and unpredictable weather events linked to climate change. This objective will support the adaptation of key primary systems to existing water supply variability and the expected effects of climate change. Finally, this objective will also help to position Nicaragua for the emerging markets of greenhouse gases (GHG) credits where it could sell reduced emissions from lower deforestation.

73. **Growing a forest economy and intensifying agricultural practices present a clear opportunity to maximize financing for development by crowding-in investment across the public-private nexus.** Under this objective, the WBG plans to develop a program to attract private investors towards the economic transformation of the agriculture frontier. ASA in progress under the Reduced Deforestation and Land Degradation (REDD) program has identified priority areas for action including with indigenous communities and farmers settling in the Caribbean region. IFC and the WBG will convene an investor roundtable process to bring together public and private financiers to chart a strategic vision for fostering long term, sustainable private sector development in the agro-industry and forest economy in Nicaragua.

74. **The WBG is already engaged in building the foundation on which transformed agriculture and a robust forest economy can thrive in Nicaragua.** Additional WBG support to the forest economy will solidify a regulatory environment and access to finance that unlocks private investment and mobilizes domestic resources to ensure forest assets are managed to optimize public rents, social welfare, and lasting economic growth. These changes, as well as support to infrastructure investments will reduce the currently uncompetitive price of timber production in Nicaragua, increase the price for beef, build on a growing tourism sector that is attracted by Nicaragua’s natural capital, and foster a sophisticated forest and tree crop economy that can provide jobs and GDP in rural areas.

75. **Agriculture is subject to frequent shocks produced by excessive precipitation (hurricanes and tropical depressions) and droughts of varying intensities.** Total agricultural production losses due to declines in yields for basic grains and export crops were estimated at about US\$107 million annually (or 6.1 percent of agricultural GDP) between 1994–2013. The most significant factor is the erratic distribution of precipitation during the planting season, which directly impacts the area planted. The regions most affected—as a percentage of area lost by crop in each region—are generally considered part of the Dry Corridor. Other factors include a lack of hydraulic infrastructure to store and regulate water resources and weather-related events that happen during crop development.

76. **The FY18-22 CPF proposes measures to increase resilience to short-term weather variability and longer-term climate change.** It will do this by strengthening disaster-risk management capacity, consolidating disaster risk financing, improving water resources management and promoting climate-smart land use. This objective will be achieved through a combination of programmatic analytical work, technical assistance, and investments aimed at building the national capacity for climate change adaptation and resilience. The Program will focus on: (i) strengthening institutional and policy responses to address disaster risk reduction in rural and urban areas; (ii) integrating disaster risk financing to reduce the fiscal impact of disasters; (iii) improving water resources management; and (iv) investing in climate-smart land use at the local level.

77. **The WBG will support efforts to strengthen the analytical basis available for dealing with risks.** For example, the WBG will support the development of knowledge exchanges across the LCR that will discuss best practices on identification, targeting, and monitoring instruments for social protection and jobs programs that respond to disasters; on migration effects in middle-size cities and small towns as collateral products of disasters and climate change, and more broadly on systems for disaster response. The WBG will also invest in better understanding the problem of downward income mobility and vulnerability. It will carry out analytical work to understand the risk posed by shocks and increasing climate variability. The analysis of income mobility and vulnerability may benefit from the collection of longitudinal data on a regular basis (i.e., the continuous Labor Force Survey) as well as the development of statistical methods that can potentially substitute for the need of panel data. Other options include support for the national hydro-meteorological agency's (INETER) efforts to deepen monitoring and observation of weather, water and climate; strengthen modeling and analysis capacity; and disseminate products and services to help reduce risk.

CPF Objective 7: Improved Data Availability and Public Sector Management Capacity

SDG 1 End poverty in all its forms everywhere

SDG 8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Summary of indicators:

7.1 Increase in number of land regularization legal documents provided

7.2 Scope and comprehensiveness of fiscal information that the government makes publicly available, according to international standards and best practice

78. **This objective focuses on public sector data availability, and the strengthening of the government's capacity to facilitate the effective allocation of public resources.** Challenges in data availability limit the depth of analytical work on Nicaragua and hence the quality of policy formulation and weaken the mechanisms required to improve the provision of public service through monitoring and evaluation. Inefficient government bureaucracy has consistently been identified as the most problematic factor in doing business by respondents in the executive survey of the Global Competitiveness Report. WBG interventions under Objective 7 hence seek to contribute to addressing this data and capacity constraint of the public sector through a comprehensive set of instruments drawing also on insights from the 2017 World Development Report: Governance and Law.

79. **The WBG has mainly five entry points with an ongoing dialogue or assistance in the area of data availability and public-sector management capacity:** (i) data availability and capacity of the department of statistics in the context of poverty monitoring; (ii) regulatory framework, investment environment for

private investment; (iii) ongoing PFM project on information system; (iv) capacity building on procurement; (v) project supervision of WBG projects.

80. **First, the WBG will continue to support a range of activities aimed at increasing the availability and quality of data for decision-making.** Limited data sets constrain the breadth and depth of analytical work on Nicaragua and hence the quality of policy formulation and limits the ability to improve the provision of public service through monitoring and evaluation. WBG interventions under this objective will be informed by insights into public incentives to generate, use and share data. The WBG will support: (i) improving the availability, quality, and transparency of poverty data, measurement and monitoring practices; (ii) building INIDEs' capacity to improve data quality and evidence-based decision-making; and (iii) helping clients use poverty data and tools to guide policy making. For example, the WBG will explore the possibility of including a panel component to the LSMS survey. It will help update INIDE's methodology for measuring consumption aggregates and poverty lines to reflect current preferences and consumption patterns. It will also support INIDE to improve documentation of poverty methodology and data sets. The WBG will also continue enhancing the statistical capacity of INIDE through the development of pre-census activities under the Public Financial Management Modernization (PMSAF) project (P111795).

81. **Second, the WBG will continue its support and consider options for improving the legal and institutional framework facing investors.** The WBG will support the GoN in reviewing weaknesses in the enforceability of contracts. In particular, contracts between private investors and the government lack effective and credible procedures for conflict resolution that provides sufficient predictability and trust for private investors to partner with government institutions to co-finance public investment projects. It will explore opportunities to strengthen the Comptroller's Office. It will analyze regulatory bottlenecks and red-tape administrative procedures that could hinder and slowdown preparation, authorization, implementation and operation of private investment and identify simplified procedures and e-government solutions. The WBG will also support the GoN to ensure that the PPP framework is fit for purpose and capable of leveraging non-traditional sources of funding, including from the private sector. The WBG will support the development of procedures for the identification and analysis of potential PPP projects, building the technical capacity of specialized units to: (i) promote and prepare such projects; and (ii) review and establish specific procurement rules to award PPP contracts.

82. **Third, the WBG will also continue to support measures to improve fiscal transparency and the effective allocation of public resources.** Significant progress has already been achieved in modernizing public financial management in Nicaragua with support from the PMSAF project, which is jointly financed by the WBG, the IDB and the EU. The government will soon be launching a modern PFM platform capable of integrating all public finance operations across central government, enabling enhanced controls and providing detailed information on public expenditures. Under the proposed FY18-22 CPF, the WBG will support the government in exploring additional opportunities for further enhancing fiscal transparency and the adoption of open data principles. The work could cover aspects related to budget formulation and execution, fiduciary capabilities and processes particularly in the area of public procurement, human resource management and financial auditing. It will include a careful assessment of: (i) the tax code, its ability to generate revenue and its impact on distribution; as well as (ii) the efficiency of public expenditure and its contribution to economic growth. The ASA program will further help develop the government's technical capacity to analyze and use public expenditure and statistical data for the formulation of policies and their evaluation based on evidence.

83. **Fourth, the WBG will continue its support in capacity building on procurement.** In particular, it will identify areas of improvement, develop training for civil servants, and provide inputs for the discussion of a new National Procurement Law.

84. **Fifth, the WBG will also continue to support the strengthening of public service delivery systems in line ministries as part of the supervision of WBG projects.** Budget planning and allocation, disbursement in sectors such as education, health and water supply are being strengthened in the context of WBG project implementation. In addition, data is collected and published to measure progress and results on those projects.

C. Implementing the FY18-22 CPF

85. **The proposed CPF covers a period of five years, FY18-22.** With the next Presidential and legislative elections scheduled for 2021, this timeframe aligns the CPF with the country's political cycle, and will allow sufficient time for results to be achieved. The CPF will concentrate new IDA financing in the areas of public service delivery (including health and education), employability, land administration, firm competitiveness, water security, renewable energy, logistical infrastructure (including maximizing financing for development from private sector investments), climate resilience and adaptation, natural resource management, and resilience to external vulnerabilities.

86. **The proposed CPF will be delivered through a combination of ongoing projects, new lending, IFC financing and MIGA guarantees as well as take into account projects financed by other DPs.** In some priority sectors, particularly sectors where the WBG has been active for many years such as education, CPF results will be achieved through projects that are already ongoing. In other sectors, such as energy, results will be achieved through new lending. Other sectors such as rural access will involve a mix of ongoing and new lending. WBG support will also integrate the contribution of the Group as a whole. IFC financing will be concentrated in promoting renewable energy, agribusiness, tourism, SMEs and strengthening the financial system. MIGA will seek to catalyze private sector investment in the country. MIGA has no pre-determined envelope for guarantees over the CPF period, beyond its existing guarantees. However, MIGA is actively seeking opportunities in support of Pillars 1 and 2, via its political risk insurance products—particularly transfer and convertibility, expropriation and breach of contract.

87. **The CPF will continue to rely primarily on investment lending as an instrument given its proven record in delivering resources and results.** The WBG's investment lending program in Nicaragua has benefited from a long-standing partnership between the country and the WBG. The proposed lending program is complemented by a program of ASA work designed to strengthen the dialogue in the main areas of engagement, and to develop policy options in critical emerging areas of interest to the government.

IDA Financial Envelope and ASA

88. **This CPF features a range of complementary instruments, building on the respective strengths of IDA, IFC and MIGA.** Nicaragua's overall IDA 18 (FY18-20)⁶ envelope is expected to be between US\$275 and US\$325 million, including approximately US\$35 million from the Scale-Up Facility (SUF). A similar level

⁶ Referenced IDA 18 volumes are indicative. Actual PBA allocations will be determined annually during the FY18-20 period and will depend on: (i) total IDA resources available; (ii) the number of IDA-eligible countries; (iii) the country's performance rating, per capita GNI, and population; and (iv) the performance and other allocation parameters for other IDA borrowers.

of support is assumed for the outer years, hence an overall IDA program for the CPF period of would be between US\$490 and US\$560. Nicaragua is classified as a gap country and therefore, blend terms apply. Under IDA 18, the maturity for blend terms has been revised from 25 to 30 years, with a grace period of five years, in order to meet the WBG/Fund minimum concessionality requirement of 35 percent.

89. **The profile and distribution of lending under the proposed FY18-22 Program are designed to meet the priorities of the strategy as set out in the pillars while maintaining flexibility.** The lending program is designed to leave flexibility starting in FY19 to accommodate shifting government demands, availability of additional IDA and other resources, and changes in global context. Over half (58 percent) of the proposed FY18-22 program is programmed for the IDA 18 period with the balance expected in FY21-22. FY23 is not included because it is beyond the CPF period. The financing for FY21-22 will depend on IDA19 replenishments and allocations. These resources will be complemented by funds managed on behalf of donors such as the EU in the area of education. In addition, the WBG will leverage additional financing from different development partners, including bilateral donors, as well as the private sector to enhance Nicaragua's financial envelope.

90. **The lending program includes both operations that build on previous lending and are of low implementation risk and operations in new areas of high impact but with higher institutional capacity risks.** Lower risk operations such as health care and property rights strengthening will include gradual improvements and innovations relative to previous operations such as the strengthening of government systems. Operations in new areas include among others geothermal, dry corridor, and employability. These are or will be based on analytical work and sector strategies jointly developed with the government.

Due Diligence

91. **A close relationship with the client is critical for effective portfolio management.** The GoN and the WBG have established an effective network of communication channels at the corporate, sectoral, and functional level. These channels of communication facilitate the early identification of portfolio implementation issues and their resolution in a timely manner. To complement this ongoing communication mechanism, Country Performance Portfolio Reviews (CPPR) will be carried out twice a year to monitor project performance using corporate, sectoral, and functional outcomes. During the CPPR, each project will be discussed in detail, giving special attention to the disbursement rates, development objectives, implementation plans, and fiduciary risk flags (including procurement, financial management, safeguards, and others). Obstacles in portfolio performance encountered through these monitoring and evaluation mechanisms are closely followed by the Government and the WBG to ensure proper corrective actions are being applied to accelerate project implementation, and the achievement of expected results. Additionally, monitoring missions of the WBG will complement this evaluation process. All these mechanisms will ensure an effective portfolio management where actions are taken in a proactive and timely manner.

92. **Significant progress has been achieved in the use of country systems for the implementation of WBG-financed projects, yet there is ample space for further improvement.** The government is developing an updated Integrated Financial Management Information System (SIGAF) with support from the WBG and IDB, which applies modern technological tools, and a new methodology framework for public financial management. The system will include a project reporting module, which will link the national budget process with project structures. This will allow the production of project reports directly from the national budget system in a format acceptable to the WBG. The WBG will continue working on strengthening country systems to overcome challenges encountered during project implementation in

the areas of financial management, procurement, and auditing. These actions will include: (i) piloting and refining the SIGAF reports module with the aim of adopting the system as a standard in all WBG-financed projects; (ii) assessing Nicaragua's National Procurement System based on the Organisation for Economic Co-operation and Development (OECD) methodology MAPS⁷ to identify areas of improvement, and provide inputs for the discussion of a new National Procurement Law; and (iii) improving the quality and efficiency of Contraloría General de la República through the adoption of International Audit Standards, and the implementation of an Integrated Government Audit and Quality Control System in compliance with international standards.

93. **To manage fiduciary risks, the WBG will continue to decentralize procurement and financial management supervision.** The WBG will continue delivering fiduciary training to the Public Entities responsible for the execution of the WBG-financed projects, including continued support for the migration and usage of the new electronic information system "STEP". Continual training in procurement, financial management and disbursement procedures for government staff have generated good results to date. Such training will continue to be an important tool for strengthening institutional capacity and achieving fiduciary objectives. The WBG will continue supporting greater coordination between the government and the private sector to ensure more competition in bidding processes and develop skills to prepare high-quality bidding documents, particularly for complex processes, and improved auditing.

Partnerships and Donor Coordination

94. **Donor coordination at the sectoral level will continue to be critical to complement WBG resources, and maximize development results.** Sectoral roundtables for technical discussion have been instrumental in key sectors to identify areas of collaboration with development partners, including bilateral donors, and to ensure close coordination of actions. The WBG will continue playing a leading role in leveraging resources for larger government programs in key sectors, for example in education, and water and sanitation. In areas where the WBG does not play a lead role, it will continue working with other multilateral actors to support further engagement, and provide analytical support, as needed. The WBG will continue to promote an efficient division of labor among key development partners, as well as more coordinated programs among donors.

4. MANAGING RISKS TO THE CPF PROGRAM

95. **The overall risk to achieving the CPF objectives is assessed as Substantial.** There are three main risks to the implementation of the CPF: (i) insufficient mechanisms to measure performance and ensure accountability due to limited data availability; (ii) limited institutional capacity; and (iii) low fiduciary standards. Risks will be monitored throughout the implementation of the CPF, and mitigation measures will be put in place to reduce their impact. In addition, the CPF PLR will be an important tool to adjust the assistance framework and review risks.

⁷ Methodology for Assessing Procurement Systems.

Table 2: Risks to the CPF Program

Risk Categories	Rating (H, S, M, or L)
1. Political and Governance	S
2. Macroeconomic	S
3. Sector Strategies and Policies	M
4. Technical design of Project or Program	M
5. Institutional Capacity for Implementation and Sustainability	H
6. Fiduciary	S
7. Environment and Social	S
8. Stakeholders	M
9. Other	N/A
Overall	S

Political and Governance

96. **Nicaragua would benefit from additional public sector accountability.** This situation may affect the government’s ability to create favorable conditions to attract private investment and raise concerns about the overall effectiveness of public service provision and the implementation of development projects. To mitigate this risk, the WBG will proactively engage with the authorities to enhance data availability and public-sector management capacity, particularly in public finances, through the adoption of international standards on open government, by reviewing and simplifying the regulatory framework and by strengthening existing checks and balances. As mentioned earlier in the document, the WBG has five main entry points to continue the dialogue on governance related topics.

Macroeconomic

97. There are three main macroeconomic risks to the planned CPF program for FY18-22. First, slower than expected growth would likely translate into smaller than expected reductions in poverty levels. This would result from reduced employment and incomes, particularly in the agricultural sector, as well as lower public revenues and hence reduced domestic expenditure on key public goods and services (including health, education and social welfare) that are a key element of the CPF. Such a slowdown in GDP growth could be caused by a number of factors such as continued slow growth of TFP or a negative shock to commodity prices. The second key risk is a sudden drop in FDI resulting in a widening of the current account deficit and the need to further increase external borrowing. This could again result in a depletion of scarce public revenues to service new debt. This challenge is exacerbated by the limited range of fiscal policy tools in Nicaragua to manage the economic cycle and buffer shocks. The third risk is an increase in oil prices which, in addition to its impact on the current account deficit, would represent a negative supply shock and result in a slowing of economic growth. Conversely, however, low oil prices could undermine the commercial profitability and hence sustainability of geothermal field development. To mitigate those risks, the WBG is proactively engaging in a program with a focus on accelerating economic growth, a dialogue on fiscal policy tools, and policy measures to reduce the reliance on oil imports.

Institutional Capacity for Implementation and Sustainability

98. **Limited institutional capacity is a significant barrier to the implementation of the WBG program, particularly in rural and remote areas.** Many of the projects are designed to be implemented in

municipalities where capacity is weak. Experience has shown that WBG interventions have not been implemented as fast as desired due, in part, to the limited implementation capacity of small municipalities. To minimize this risk, the WBG will increase implementation support, technical assistance, and training of project staff. This risk will also be mitigated by integrating institutional strengthening components into new operations, particularly at the local level.

Fiduciary

99. **The fiduciary environment in Nicaragua has improved, but challenges remain and efforts to strengthen key areas continue.** While procurement procedures remain a challenge, the government has demonstrated commitment to improve the procurement framework. The WBG will support the government in mitigating this risk by providing annual training on procurement, financial management and disbursement procedures. In addition, the WBG will continue close coordination with the Ministry of Finance and Public Credit, holding biannual portfolio reviews and ad hoc meetings to address bottlenecks in specific projects.

Environment and Social

100. **Given Nicaragua's high exposure and vulnerability to natural hazards, there is a significant likelihood that environmental risks could adversely affect the achievements of CPF objectives.** Every year extreme weather and climate change impacts in the form of earthquakes, hurricanes, floods and droughts inflict serious damage on infrastructure, imposing high economic costs on the country. The WBG continues to support the government's efforts on Disaster Risk Management through trust funds and analytical work. The IDA mechanism, Immediate Response Mechanism, has also been built into all new operations in the portfolio to provide fast disbursing funds in the event of a natural hazard. In addition, Nicaragua has joined the Catastrophe Risk Insurance Facility and now possesses a sovereign risk insurance associated with tropical cyclones, earthquakes, and excessive rainfall.

ANNEX 1: CPF RESULTS MONITORING MATRIX

CPF Indicators	Milestones	WBG Engagement								
CPF PILLAR ONE: INVESTING IN HUMAN CAPITAL PARTICULARLY FOR DISADVANTAGED GROUPS										
<p>National Development Plan objectives</p> <ul style="list-style-type: none"> • Quality education for all • Establish human rights to health • Reinstate children’s rights to a dignified and happy childhood • Improve access to water and sanitation 										
<p>Issues addressed</p> <ul style="list-style-type: none"> • Insufficient skills to support higher value economic activity • Very low average years of education especially among rural population • High infant and maternal mortality due to the high rates of adolescent pregnancy • Poor access to quality health care especially in marginalized territories • Low access to water and sanitation, especially at the lower end of the income distribution • Insufficient extension of public services and opportunities to marginalized territories 										
<p>CPF Objective 1: Improved Learning Conditions and Employability</p> <p><i>SDG 1 End poverty in all its forms everywhere</i></p> <p><i>SDG 4 Ensure inclusive and equitable quality education and promote life-long learning opportunities for all</i></p> <p><i>SDSG 5: Achieve gender equality and empower all women and girls</i></p> <p><i>SDG 8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</i></p>										
<p>Indicator 1.1: Percentage of participating primary and secondary education teachers with improved teaching practices</p> <table border="1" style="margin-left: auto; margin-right: auto; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="padding: 5px;">Baseline (2017)</th> <th style="padding: 5px;">Target (2021)</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">0</td> <td style="padding: 5px;">37.5%</td> </tr> </tbody> </table> <p><i>Source:</i> Teacher Training Directorate, Ministry of Education</p>	Baseline (2017)	Target (2021)	0	37.5%	<p>Milestone 1.1.1: Percentage of in-service participating basic education teachers who receive at least three mentoring visits</p> <table border="1" style="margin-left: auto; margin-right: auto; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="padding: 5px;">Baseline (2017)</th> <th style="padding: 5px;">Target (2020)</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">0</td> <td style="padding: 5px;">90%</td> </tr> </tbody> </table> <p><i>Source:</i> Teacher Training Directorate, Ministry of Education</p>	Baseline (2017)	Target (2020)	0	90%	<p>Ongoing:</p> <p>IDA</p> <ul style="list-style-type: none"> • 2nd Support to Education Sector (P126357) • Alliance for Education Quality Project - ACE (P161029) <p>ASA</p> <ul style="list-style-type: none"> • Jobs Diagnostic (P164438) <p>Planned:</p>
Baseline (2017)	Target (2021)									
0	37.5%									
Baseline (2017)	Target (2020)									
0	90%									

CPF Indicators	Milestones	WBG Engagement																
<p>Indicator 1.2: Percentage of participating preschool teachers with desired teaching practices</p> <table border="1" data-bbox="247 363 722 435"> <thead> <tr> <th>Baseline (2017)</th> <th>Target (2021)</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>30%</td> </tr> </tbody> </table> <p><i>Source:</i> Teacher Training Directorate, Ministry of Education</p> <p>Indicator 1.3: Increased earnings of workers participating in employment program at least six months after program completion (disaggregated by gender)*</p> <table border="1" data-bbox="247 769 722 850"> <thead> <tr> <th>Baseline (2017)</th> <th>Target (2021)</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>5%</td> </tr> </tbody> </table> <p><i>Source:</i> WBG Report * Earnings include both wages and autonomous income from self-employment, either formal or informal</p>	Baseline (2017)	Target (2021)	0	30%	Baseline (2017)	Target (2021)	0	5%	<p>Milestone 1.2.1: Number of preschool teachers enrolled in the teacher training certification program nationwide</p> <table border="1" data-bbox="890 380 1352 461"> <thead> <tr> <th>Baseline (2017)</th> <th>Target (2019)</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>8,500</td> </tr> </tbody> </table> <p><i>Source:</i> Teacher Training Directorate, Ministry of Education</p> <p>Milestone 1.3.1: Assessment of current agriculture training programs completed</p> <table border="1" data-bbox="890 727 1352 808"> <thead> <tr> <th>Baseline (2017)</th> <th>Target (2019)</th> </tr> </thead> <tbody> <tr> <td>NO</td> <td>YES</td> </tr> </tbody> </table> <p><i>Source:</i> WBG Report on Agriculture Training Program Assessment</p>	Baseline (2017)	Target (2019)	0	8,500	Baseline (2017)	Target (2019)	NO	YES	<p>IDA</p> <ul style="list-style-type: none"> • Productive Inclusion and Employability (IDA18) <p>Trust Funds</p> <ul style="list-style-type: none"> • Education sector (EU) <p>Proposed ASAs</p> <ul style="list-style-type: none"> • Education policy (WDR, vocational, etc.); • Women Empowerment • Gender Assessment
Baseline (2017)	Target (2021)																	
0	30%																	
Baseline (2017)	Target (2021)																	
0	5%																	
Baseline (2017)	Target (2019)																	
0	8,500																	
Baseline (2017)	Target (2019)																	
NO	YES																	
<p>CPF Objective 2: Improved Health and Early Childhood Development SDG 1 End poverty in all its forms everywhere SDG 3 Ensure healthy lives and promote well-being at all ages SDG 6: Ensure availability and sustainable management of water and sanitation for all SDG 8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>																		
<p>Indicator 2.1: Increased share of adolescent (< 20 years of age) mothers delivering in institutions in selected municipalities (grouped by current status of service coverage and quality)</p>	<p>Milestone 2.1.1: Increase in percentage of pregnant women receiving prenatal care in selected municipalities (grouped by current status of service coverage and quality)</p>	<p>Ongoing:</p> <p>IDA</p> <ul style="list-style-type: none"> • Strengthening Public Health Care System (P152136) • Water Supply and Sanitation (P147006) 																

CPF Indicators			Milestones			WBG Engagement
	Baseline (2016)	Target (2021)		Baseline (2016)	Target (2019)	<ul style="list-style-type: none"> • Caribbean Coast Food Security and Nutrition – GAFSP (P148809) • Caribbean Coast Food Security (P148809) (GAFSP) <p>IFC/MIGA</p> <ul style="list-style-type: none"> • Hospital Metropolitano (IFC); • Sanitation (MIGA) <p>ASA</p> <ul style="list-style-type: none"> • Long-term impacts of exposure in early childhood to cash transfers and home-based parenting training in rural Nicaragua (P155937) • Tackling teen pregnancy (P163364) • Central America overweight and obesity prevention (TFOA4082 – linked to P152136) • Nicaragua Capacity Building on Health Statistics Information (TFOA6189 subtask of P152136) • Nicaragua TF – Sustainable Rural Water Supply and Sanitation Impact Assessment (P150059) • Strengthening Water Service Delivery for All in Central America (P153418) <p>Planned:</p> <p>IDA</p> <ul style="list-style-type: none"> • Integrated Public Provision of Health Care Services (P164452)
G1	44%	50%	G1	54%	56%	
G2	76%	82%	G2	67%	69%	
G3	80%	88%	G3	71%	75%	
<p><i>Source:</i> MOH, DGSS, Statistical Unit</p>			<p><i>Source:</i> MOH, DGSS, Statistical Unit</p>			
<p>Indicator 2.2: Number of people in rural areas provided with access to improved water supply and sanitation services</p>			<p>Milestone 2.1.2: Percentage of health centres certified for hypertension screening in selected municipalities (grouped by current status of service coverage and quality)</p>			
	Baseline (2017)	Target (2019)		Baseline (2016)	Target (2019)	
Water	3,435	25,330	G1	34%	49%	
Sanitation	1,267	27,395	G2	45%	65%	
<p><i>Source:</i> SICPRO (Sistema de Monitoreo y Evaluación de FISE)</p>			G3	50%	74%	
<p><i>Source:</i> SICPRO (Sistema de Monitoreo y Evaluación de FISE)</p>			<p><i>Source:</i> MOH, DGSS, Statistical Unit</p>			
<p>Milestone 2.2.1: New and rehabilitated piped household water connections benefiting in municipalities of the Central and Caribbean Region</p>			<p>Milestone 2.2.1: New and rehabilitated piped household water connections benefiting in municipalities of the Central and Caribbean Region</p>			
<p><i>Source:</i> SICPRO (Sistema de Monitoreo y Evaluación de FISE)</p>				Baseline (2017)	Target (2019)	
<p><i>Source:</i> SICPRO (Sistema de Monitoreo y Evaluación de FISE)</p>				600	2,956	

CPF Indicators	Milestones	WBG Engagement								
		Trust Funds <ul style="list-style-type: none"> • Pandemic Emergency Financing Facility 								
CPF PILLAR TWO: ENABLING PRIVATE INVESTMENT FOR JOB CREATION										
National Development Plan objectives <ul style="list-style-type: none"> • Economic growth and macroeconomic stability • Increase agriculture and livestock production • Promote business and agribusiness with a focus on SMEs • Expand road network prioritizing productive regions • Economic wellbeing of Caribbean people • Economic, inclusive and sustainable transformation of the Caribbean 										
Issues addressed <ul style="list-style-type: none"> • Rural areas isolated by lack of road access • High dependence on oil imports resulting in high energy costs and volatile prices • Low firm productivity particularly in Central (Dry Corridor) and Caribbean regions • Need for improved access to finance and overall business environment especially for importers/exporters 										
CPF Objective 3: Improved Rural Connectivity and Energy Production Mix <i>SDG 1 End poverty in all its forms everywhere</i> <i>SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all</i> <i>SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</i>										
Indicator 3.1: Decrease in total travel time to access markets and services in selected areas (percentage) <table border="1" data-bbox="262 1174 709 1247" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Baseline (2017)</th> <th>Target (2022)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">0</td> <td style="text-align: center;">30%</td> </tr> </tbody> </table> <p><i>Source:</i> Ministry of Transport and Infrastructure</p>	Baseline (2017)	Target (2022)	0	30%	Milestone 3.1.1: Kilometres of roads constructed or rehabilitated in rural and urban areas <table border="1" data-bbox="877 1130 1360 1203" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Baseline (2017)</th> <th>Target (2020)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">0 kms</td> <td style="text-align: center;">96 kms</td> </tr> </tbody> </table> <p><i>Source:</i> Ministry of Transport and Infrastructure</p>	Baseline (2017)	Target (2020)	0 kms	96 kms	Ongoing: IDA <ul style="list-style-type: none"> • Rural & Urban Access Improvement (P160359) (IDA 17 + SUF IDA17); • CARCIP (IT) (P155235) IFC/MIGA <ul style="list-style-type: none"> • Geothermal San Jacinto (IFC); • Eolo wind energy (MIGA);
Baseline (2017)	Target (2022)									
0	30%									
Baseline (2017)	Target (2020)									
0 kms	96 kms									

CPF Indicators	Milestones	WBG Engagement																									
<p>Indicator 3.2: Number of transport projects under tendering for PPP procurement</p> <table border="1" data-bbox="241 321 730 396"> <thead> <tr> <th>Baseline (2017)</th> <th>Target (2020)</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>2*</td> </tr> </tbody> </table> <p><i>* Target of 2 transport projects in the PPP pipeline portfolio includes both national or local level.</i></p> <p>Source: Ministry of Finance</p> <p>Indicator 3.3: Enhanced Regulatory Framework for Integration of Renewable Energy Technologies</p> <table border="1" data-bbox="241 743 730 961"> <thead> <tr> <th>Baseline (2016)</th> <th>Target (2021)</th> </tr> </thead> <tbody> <tr> <td>No Regulatory framework and Technical procedures</td> <td>Regulatory framework and Technical procedures adapted *</td> </tr> </tbody> </table> <p><i>* Regulatory framework and technical procedures adapted to optimize the management of the inherent variability to Variable Renewable Energy</i></p> <p>Source: Nicaragua Institute of Energy (<i>Instituto Nicaraguense de Energía</i> (INE))</p>	Baseline (2017)	Target (2020)	0	2*	Baseline (2016)	Target (2021)	No Regulatory framework and Technical procedures	Regulatory framework and Technical procedures adapted *	<p>Milestone 3.1.2: Percentage of population in project areas with access to the nearest hospital within 30 min and the nearest city of 30,000 population within 60 min on average</p> <table border="1" data-bbox="829 386 1411 500"> <thead> <tr> <th></th> <th>Baseline (2017)</th> <th>Target (2020)</th> </tr> </thead> <tbody> <tr> <td>Hospital</td> <td>66%</td> <td>69%</td> </tr> <tr> <td>City</td> <td>92%</td> <td>94%</td> </tr> </tbody> </table> <p>Source: Ministry of Transport and Infrastructure</p> <p>Milestone 3.2.1: Increase in number of transport projects in the PPP pipeline portfolio</p> <table border="1" data-bbox="882 704 1358 779"> <thead> <tr> <th>Baseline (2017)</th> <th>Target (2021)</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>2*</td> </tr> </tbody> </table> <p><i>* Target of 2 transport projects in the PPP pipeline portfolio includes both national or local level</i></p> <p>Source: Ministry of Finance</p> <p>Milestone 3.3.1: Adoption of new operational procedures in the National Dispatch Center – (Centro Nacional de Despacho de Carga) to facilitate the Integration of Variable Renewable Energy</p> <table border="1" data-bbox="877 1146 1362 1328"> <thead> <tr> <th>Baseline (2017)</th> <th>Target (2019)</th> </tr> </thead> <tbody> <tr> <td>No specific operational procedures in the Dispatch Center</td> <td>Adoption of new operational procedures in the Dispatch Center *</td> </tr> </tbody> </table> <p><i>* Adoption of new operational procedures in the Dispatch Center (Centro Nacional de Despacho de</i></p>		Baseline (2017)	Target (2020)	Hospital	66%	69%	City	92%	94%	Baseline (2017)	Target (2021)	0	2*	Baseline (2017)	Target (2019)	No specific operational procedures in the Dispatch Center	Adoption of new operational procedures in the Dispatch Center *	<p>Trust Funds</p> <ul style="list-style-type: none"> • SFLAC • KGGTF • ESMAP (in process) • PPIAF (in process) <p>ASA</p> <ul style="list-style-type: none"> • Central America Energy Assessments (P155068) • Scaling up Geothermal Power in LCR – ESW/ joint IFC (P144569) • Central America Public-Private Partnership (P160763) • Review of PPP policy environment(P165862) <p>Planned:</p> <p>IDA</p> <ul style="list-style-type: none"> • Rural & Urban Access Improvement Additional Financing (P165467) (AF SUF IDA 18); • Geothermal Resource Risk Mitigation (P155197) (IDA18) <p>IFC/MIGA</p> <ul style="list-style-type: none"> • Solar Power Project (IFC) <p>ASA</p> <ul style="list-style-type: none"> • Transport Infrastructure PPP1 and 2 (Joint IFC)
Baseline (2017)	Target (2020)																										
0	2*																										
Baseline (2016)	Target (2021)																										
No Regulatory framework and Technical procedures	Regulatory framework and Technical procedures adapted *																										
	Baseline (2017)	Target (2020)																									
Hospital	66%	69%																									
City	92%	94%																									
Baseline (2017)	Target (2021)																										
0	2*																										
Baseline (2017)	Target (2019)																										
No specific operational procedures in the Dispatch Center	Adoption of new operational procedures in the Dispatch Center *																										

CPF Indicators	Milestones	WBG Engagement								
<p>Indicator 3.4: Installed Megawatts (MW) of power generation from Renewable Sources</p> <table border="1" data-bbox="260 834 716 911"> <thead> <tr> <th>Baseline (2016)</th> <th>Target (2021)</th> </tr> </thead> <tbody> <tr> <td>660 MW</td> <td>760 MW *</td> </tr> </tbody> </table> <p>Source: Institute of Energy (<i>Instituto Nicaraguense de Energía</i>) (INE)</p> <p><i>* WBG support to enhance regulation of renewable technologies is expected to leverage increased private sector investments, estimated to result in an additional 100MW of installed renewable energy.</i></p>	Baseline (2016)	Target (2021)	660 MW	760 MW *	<p><i>Carga – to facilitate the Integration of Variable Renewable Energy.</i></p> <p>Source: Publication in the website of the National Dispatch Center (<i>Centro Nacional de Despacho de Carga</i>), Official Gazette, or relevant official publication means.</p> <p>Milestone 3.3.2: Adoption of new regulatory framework on Ancillary Services to smoothen the integration of Variable Renewable Energy (VRE)</p> <table border="1" data-bbox="877 646 1360 792"> <thead> <tr> <th>Baseline (2017)</th> <th>Target (2020)</th> </tr> </thead> <tbody> <tr> <td>No specific regulatory framework</td> <td>Publication of a new regulatory framework *</td> </tr> </tbody> </table> <p><i>* Publication of a new regulatory framework on Ancillary Services to smoothen the integration of Variable Renewable Energy (VRE)</i></p> <p>Source: Institute of Energy (<i>Instituto Nicaraguense de Energía</i>) (INE), and publication in the Official Gazette, or relevant official publication means.</p>	Baseline (2017)	Target (2020)	No specific regulatory framework	Publication of a new regulatory framework *	
Baseline (2016)	Target (2021)									
660 MW	760 MW *									
Baseline (2017)	Target (2020)									
No specific regulatory framework	Publication of a new regulatory framework *									
<p>CPF Objective 4: Improved Business Productivity and Financial Inclusion for Urban and Rural SMEs and Female Entrepreneurs <i>SDG 1 End poverty in all its forms everywhere</i> <i>SDG 8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</i></p>										
<p>Indicator 4.1: Share of firms with bank loan/line of credit</p>	<p>Milestone 4.1.1: Reduction of value of collateral needed for a loan (percent of a loan amount)</p>	<p>Ongoing: IDA</p>								

CPF Indicators			Milestones		WBG Engagement
	Baseline (2016)	Target (2021)	Baseline (2017)	Target (2019)	<ul style="list-style-type: none"> Caribbean Coast Food Security (P148809) (GAFSP)
Total	47.8%	55%	192.6%	189%	IFC/MIGA
By women top managers	50.3%	59%	<i>Source:</i> WBG's Enterprise Survey		<ul style="list-style-type: none"> Montelimar (IFC)
By rural areas*	44.5%	50.5%	Milestone 4.1.2: Increase in the number of MSMEs reached with financial services:		ASA
* Rural areas include areas outside of Managua			Baseline (2017)	Target (2020)	<ul style="list-style-type: none"> Indicator Based Reform Advisory LAC Regional Project (ID 599907) Regional Project to Support the Implementation of the Trade Facilitation Agreement in Central America (P156050)
<i>Source:</i> WBG's Enterprise Survey			18,537	19,464	Planned:
			<i>Source:</i> Development Outcome Tracking System – DOTS, IFC.		IDA
			Milestone 4.1.3: Volume of MSMEs loans outstanding increased:		<ul style="list-style-type: none"> Nicaragua Dry Corridor Climate Resilient Agriculture Project (P162982) (IDA18); Financial Inclusion (IDA18); Financial Inclusion, SME Capacity Building, and Female Entrepreneurship/Empowerment (IDA18) Competitiveness and ease of doing business
			Baseline (2017)	Target (2020)	
			US\$485.5 million	US\$509.8 million	
			<i>Source:</i> Development Outcome Tracking System – DOTS, IFC.		
Indicator 4.2: Number of reforms recognized by <i>Doing Business</i>			Milestone 4.2.1: Cumulative Reduction in the number of days to register property		
	Baseline (DB 2018)	Target (DB 2021)	Baseline (DB 2018)	Target (DB 2021)	
	1 reform	3 reforms*	0	28	
* 3 reforms recognized by <i>Doing Business</i> in 3 years in the areas identified in the Milestones			<i>Source:</i> Doing Business Report		IFC/MIGA
<i>Source:</i> Doing Business Report					<ul style="list-style-type: none"> Agribusiness, forestry, and tourism (IFC)

CPF Indicators	Milestones	WBG Engagement																										
<p>Indicator 4.3: Increased agricultural productivity among targeted beneficiaries in the Caribbean and Dry Corridor regions</p> <table border="1" data-bbox="247 363 726 436"> <thead> <tr> <th>Baseline (2017)</th> <th>Target (2022)</th> </tr> </thead> <tbody> <tr> <td>0 %</td> <td>15 %</td> </tr> </tbody> </table> <p><i>Source:</i> MEFCCA</p>	Baseline (2017)	Target (2022)	0 %	15 %	<p>Milestone 4.2.2: Cumulative Reduction of time to trade</p> <table border="1" data-bbox="800 326 1438 496"> <thead> <tr> <th></th> <th>Baseline (DB 2018)</th> <th>Target (DB 2021)</th> </tr> </thead> <tbody> <tr> <td>Time to export</td> <td>0</td> <td>33 hours</td> </tr> <tr> <td>Time to import</td> <td>0</td> <td>23 hours</td> </tr> </tbody> </table> <p><i>Source:</i> Doing Business Report</p> <p>Milestone 4.2.3: Cumulative Reduction in the number of days to obtain Construction Permits</p> <table border="1" data-bbox="879 664 1358 774"> <thead> <tr> <th>Baseline (DB 2018)</th> <th>Target (DB 2021)</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>34</td> </tr> </tbody> </table> <p><i>Source:</i> Doing Business Report</p> <p>Milestone 4.3.1: Number of farmers participating in value chains (disaggregated by gender)</p> <table border="1" data-bbox="833 943 1404 1112"> <thead> <tr> <th></th> <th>Baseline (2017)</th> <th>Target (2020)</th> </tr> </thead> <tbody> <tr> <td>Total</td> <td>0</td> <td>5,000</td> </tr> <tr> <td>Of which women</td> <td>0</td> <td>2,000</td> </tr> </tbody> </table> <p><i>Source:</i> MEFCCA</p>		Baseline (DB 2018)	Target (DB 2021)	Time to export	0	33 hours	Time to import	0	23 hours	Baseline (DB 2018)	Target (DB 2021)	0	34		Baseline (2017)	Target (2020)	Total	0	5,000	Of which women	0	2,000	<p>ASA</p> <ul style="list-style-type: none"> Sources of growth, investment climate, and Doing Business reforms
Baseline (2017)	Target (2022)																											
0 %	15 %																											
	Baseline (DB 2018)	Target (DB 2021)																										
Time to export	0	33 hours																										
Time to import	0	23 hours																										
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Of which women	0	2,000																										

CPF Indicators	Milestones	WBG Engagement									
	<p>Milestone 4.3.2: Farmers adopting an improved agricultural technology (disaggregated by gender)</p> <table border="1"> <thead> <tr> <th></th> <th>Baseline (2017)</th> <th>Target (2020)</th> </tr> </thead> <tbody> <tr> <td>Total</td> <td>3,000</td> <td>15,000</td> </tr> <tr> <td>Of which women</td> <td>600</td> <td>3,600</td> </tr> </tbody> </table> <p><i>Source: MEFCCA</i></p>		Baseline (2017)	Target (2020)	Total	3,000	15,000	Of which women	600	3,600	
	Baseline (2017)	Target (2020)									
Total	3,000	15,000									
Of which women	600	3,600									
CPF PILLAR THREE: IMPROVING INSTITUTIONS FOR RESILIENCE AND SUSTAINABILITY											
<p>National Development Plan objectives</p> <ul style="list-style-type: none"> • Improve public sector administration • Improve public financial management • Increase foreign investment • Institutional development in the Caribbean region • Increase reforestation • Reduce impact of natural disasters 											
<p>Issues addressed</p> <ul style="list-style-type: none"> • Extreme weather events worldwide – hurricanes in the Caribe, flooding, landslides and drought in the Pacific and Central regions • External vulnerabilities arising from the financing of large current account deficits • Natural resources degradation and deforestation by supporting forest management and restoration • Generate income and jobs in rich natural capital areas and cascade private investments by supporting nature based development 											
<p>CPF Objective 5: Improved Resilience to Macroeconomic Volatility <i>SDG 8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</i></p>											
<p>Indicator 5.1: Fiscal policy tool in place to manage oil price variability</p> <table border="1"> <thead> <tr> <th>Baseline (2017)</th> <th>Target (2021)</th> </tr> </thead> <tbody> <tr> <td>Tool not in place</td> <td>Tool in place</td> </tr> </tbody> </table> <p><i>Source: Ministry of Finance</i></p>	Baseline (2017)	Target (2021)	Tool not in place	Tool in place	<p>Milestone 5.1.1: Strategy to build fiscal buffers and improve resilience to oil price variability</p> <table border="1"> <thead> <tr> <th>Baseline (2017)</th> <th>Target (2021)</th> </tr> </thead> <tbody> <tr> <td>No strategy</td> <td>Strategy prepared and implemented</td> </tr> </tbody> </table> <p><i>Source: Ministry of Finance</i></p>	Baseline (2017)	Target (2021)	No strategy	Strategy prepared and implemented	<p>Ongoing: IDA</p> <ul style="list-style-type: none"> • Nicaragua Catastrophe Risk Insurance Project (P149895) <p>ASA</p>	
Baseline (2017)	Target (2021)										
Tool not in place	Tool in place										
Baseline (2017)	Target (2021)										
No strategy	Strategy prepared and implemented										

CPF Indicators	Milestones	WBG Engagement																
<p>Indicator 5.2: Improved regulatory framework to implement new energy efficiency legislation</p> <table border="1" data-bbox="247 318 726 461"> <thead> <tr> <th>Baseline (2017)</th> <th>Target (2021)</th> </tr> </thead> <tbody> <tr> <td>No new regulation</td> <td>New Regulatory Framework in place *</td> </tr> </tbody> </table> <p><i>*New Regulatory Framework on Energy Efficiency, which aims at moderating energy consumption in the country.</i></p> <p>Source: Institute of Energy (<i>Instituto Nicaraguense de Energía</i>) (INE), and publication in the Official Gazette, or relevant official publication means.</p> <p>Indicator 5.3: Increase in the number of instruments that provide access to liquidity on time to immediate response after a disaster.</p> <table border="1" data-bbox="247 1000 726 1110"> <thead> <tr> <th>Baseline (2017)</th> <th>Target (2021)</th> </tr> </thead> <tbody> <tr> <td>2 instruments *</td> <td>At least 3 instruments **</td> </tr> </tbody> </table> <p><i>* Instruments include 1 emergency fund and 3 parametric insurances policies – earthquake, cyclones and excess of rainfall</i></p> <p><i>** Instruments include 1 emergency fund, 3 or 4 parametric insurance policies, a CERC.</i></p> <p>Source: Ministry of Finance</p>	Baseline (2017)	Target (2021)	No new regulation	New Regulatory Framework in place *	Baseline (2017)	Target (2021)	2 instruments *	At least 3 instruments **	<p>Milestone 5.2.1: Minimum Energy Performance Standards (MEPS) and labelling regulation for main energy consuming appliances, i.e. refrigerators and air conditioning</p> <table border="1" data-bbox="852 386 1388 711"> <thead> <tr> <th>Baseline (2017)</th> <th>Target (2019)</th> </tr> </thead> <tbody> <tr> <td>Not in place</td> <td>Publication of Minimum Energy Performance Standards (MEPS) and labelling regulation for refrigerators and air conditioning appliances.</td> </tr> </tbody> </table> <p>Source: <i>Instituto Nicaraguense de Energía</i> (INE), and publication in the Official Gazette, or relevant official publication means.</p> <p>Milestone 5.3.1: Disaster Risk Financing Strategy implemented</p> <table border="1" data-bbox="879 959 1360 1032"> <thead> <tr> <th>Baseline (2017)</th> <th>Target (2021)</th> </tr> </thead> <tbody> <tr> <td>Not in place</td> <td>Implemented *</td> </tr> </tbody> </table> <p><i>* With at least 3 different financing instruments implemented</i></p> <p>Source: Ministry of Finance</p>	Baseline (2017)	Target (2019)	Not in place	Publication of Minimum Energy Performance Standards (MEPS) and labelling regulation for refrigerators and air conditioning appliances.	Baseline (2017)	Target (2021)	Not in place	Implemented *	<ul style="list-style-type: none"> • Central America Disaster Risk Financing Engagement Project (P148729) • Central America & Caribbean Catastrophe Risk Insurance Project (P149670); • Enhancing DRM in Central America (P159930) • LCR Knowledge Exchange on Adaptive Social Protection Systems as a Disaster Risk Mitigation Mechanism (P165263) <p>Planned:</p> <p>IDA</p> <ul style="list-style-type: none"> • Geothermal Resource Risk Mitigation (P155197) (IDA18) • Disaster Risk Management Project (IDA 18) <p>ASA</p> <ul style="list-style-type: none"> • Macro Volatility and Budget Risks; • Macro Volatility and Poverty Dynamics
Baseline (2017)	Target (2021)																	
No new regulation	New Regulatory Framework in place *																	
Baseline (2017)	Target (2021)																	
2 instruments *	At least 3 instruments **																	
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Baseline (2017)	Target (2021)																	
Not in place	Implemented *																	

CPF Indicators	Milestones	WBG Engagement																
<p>CPF Objective 6: Improved Natural Resource Management (Water, Forest and Land) and Reduced Vulnerability to Natural Hazards SDG 1 End poverty in all its forms everywhere SDG 6: Ensure availability and sustainable management of water and sanitation for all SDG 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification and halt and reverse land degradation and halt biodiversity loss</p>																		
<p>Indicator 6.1: Increased areas of forest protection, restoration, reforestation, and sustainable forest management in the Caribbean and Dry Corridor regions, based on the 2015 forest map</p> <table border="1" data-bbox="247 638 722 748"> <thead> <tr> <th>Baseline (2017)</th> <th>Target (2022)</th> </tr> </thead> <tbody> <tr> <td>0.0 Million ha *</td> <td>0.74 Million additional ha</td> </tr> </tbody> </table> <p>* 3.9 million hectares of total area reported in the National REDD+ Strategy, 2016</p> <p>Source: National Forest Monitoring System MARENA</p> <p>Indicator 6.2: Improved information and management tools to enhance water resources management</p> <table border="1" data-bbox="241 1143 726 1253"> <thead> <tr> <th>Baseline (2017)</th> <th>Target (2021)</th> </tr> </thead> <tbody> <tr> <td>0 tools</td> <td>3 tools *</td> </tr> </tbody> </table> <p>* 3 information and management tools approved by government.</p> <p>Source: ENACAL (Empresas Nicaraguenses de Aguas y Alcantarillados)</p>	Baseline (2017)	Target (2022)	0.0 Million ha *	0.74 Million additional ha	Baseline (2017)	Target (2021)	0 tools	3 tools *	<p>Milestone 6.1.1: Implementation of avoided deforestation, sustainable forest management, restoration, and reforestation actions to increase resilience to climate change, increase biodiversity and support local livelihoods</p> <table border="1" data-bbox="871 638 1362 716"> <thead> <tr> <th>Baseline (2017)</th> <th>Target (2022)</th> </tr> </thead> <tbody> <tr> <td>0 ha</td> <td>740,000 ha</td> </tr> </tbody> </table> <p>Source: National Forest Monitoring System, MARENA</p> <p>Milestone 6.2.1: Resilient water resources management plans developed for two priority areas.</p> <table border="1" data-bbox="875 1143 1358 1221"> <thead> <tr> <th>Baseline (2017)</th> <th>Target (2020)</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>1 plan</td> </tr> </tbody> </table> <p>Source: ENACAL (Empresas Nicaraguenses de Aguas y Alcantarillados)</p>	Baseline (2017)	Target (2022)	0 ha	740,000 ha	Baseline (2017)	Target (2020)	0	1 plan	<p>Ongoing: Trust Funds</p> <ul style="list-style-type: none"> Adaptation of Nicaragua's Water Supplies to Climate Change (P127088) National Strategy on Reduced Deforestation and Forest Degradation (REDD+) – Forest Carbon Partnership Facility (TF 099264) <p>ASA</p> <ul style="list-style-type: none"> Central America Disaster Risk Financing Engagement Project (P148729) Strengthening Disaster Risk Management and Resilience of Central American Municipalities (P162643); Hydromet Capacity Assessment and Strengthening in Honduras and Nicaragua (P155112) Dynamic Information Framework for Climate Smart Landscapes and El Niño Preparedness (P160058 - TFOA2609)
Baseline (2017)	Target (2022)																	
0.0 Million ha *	0.74 Million additional ha																	
Baseline (2017)	Target (2021)																	
0 tools	3 tools *																	
Baseline (2017)	Target (2022)																	
0 ha	740,000 ha																	
Baseline (2017)	Target (2020)																	
0	1 plan																	

CPF Indicators	Milestones	WBG Engagement																
<p>Indicator 6.3: Number of Disaster Risk Management (DRM) Programs in place to reduce vulnerability to natural hazards in selected sectors and high risk areas.</p> <table border="1" data-bbox="247 472 730 581"> <thead> <tr> <th>Baseline (2017)</th> <th>Target (2021)</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>One DRM program in place</td> </tr> </tbody> </table> <p>* One DRM program in place addressing: i) one sector, and ii) four targeted high-risk areas.</p> <p><i>Source:</i> INETER</p>	Baseline (2017)	Target (2021)	0	One DRM program in place	<p>Milestone 6.2.2: Improved information products for water resources management</p> <table border="1" data-bbox="842 326 1402 472"> <thead> <tr> <th>Baseline (2017)</th> <th>Target (2020)</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>Information system designed for water resources management</td> </tr> </tbody> </table> <p><i>Source:</i> ENACAL (<i>Empresas Nicaraguenses de Aguas y Alcantarillados</i>)</p> <p>Milestone 6.3.1: Improved institutional capacity for generation and dissemination of information products related to DRM and CCA</p> <table border="1" data-bbox="884 704 1360 850"> <thead> <tr> <th>Baseline (2017)</th> <th>Target (2019)</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>2 products generated and disseminated *</td> </tr> </tbody> </table> <p>* 2 new information products generated and disseminated by INETER</p> <p><i>Source:</i> INETER</p> <p>Milestone 6.3.2: Number of risk reduction interventions being implemented in high risk areas.</p> <table border="1" data-bbox="884 1146 1360 1235"> <thead> <tr> <th>Baseline (2017)</th> <th>Target (2019)</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>2 interventions *</td> </tr> </tbody> </table> <p>* 2 interventions in selected high risk areas or sectors.</p> <p><i>Source:</i> INETER</p>	Baseline (2017)	Target (2020)	0	Information system designed for water resources management	Baseline (2017)	Target (2019)	0	2 products generated and disseminated *	Baseline (2017)	Target (2019)	0	2 interventions *	<p>WBG Engagement</p> <ul style="list-style-type: none"> Supporting CA Countries in Implementing COP 21 Commitments – PA (P160325) <p>Planned:</p> <p>IDA</p> <ul style="list-style-type: none"> Nicaragua Dry Corridor Climate Resilient Agriculture Project (P162982) Support to Implementation of the National Water Resources Plan (P164286); Forest and Livestock Management Program (IFC/IDA 19); Caribbean Coast Emissions Reduction Program (ERP) – Forest Carbon Partnership Facility (P120657) Nicaragua Disaster Risk Management and Climate Resilience Project (P162418) <p>Trust Funds</p> <ul style="list-style-type: none"> Setting the basis for water security in Central America (P166057) GWSP Resilient Landscapes Management Project (P160688) (GEF 5 and 6)
Baseline (2017)	Target (2021)																	
0	One DRM program in place																	
Baseline (2017)	Target (2020)																	
0	Information system designed for water resources management																	
Baseline (2017)	Target (2019)																	
0	2 products generated and disseminated *																	
Baseline (2017)	Target (2019)																	
0	2 interventions *																	

CPF Objective 7: Improved Data Availability and Public Sector Management Capacity <i>SDG 1 End poverty in all its forms everywhere</i> <i>SDG 8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</i>																		
<p>Indicator 7.1: Increase in the number of land regularization legal documents provided</p> <table border="1" data-bbox="243 399 726 472"> <thead> <tr> <th>Baseline (2017)</th> <th>Target (2021)</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>85,000</td> </tr> </tbody> </table> <p><i>Source:</i> Attorney General’s Office (PGR)</p> <p>Indicator 7.2: Scope and comprehensiveness of fiscal information that the government makes publicly available, according to international best practices</p> <table border="1" data-bbox="243 821 726 1146"> <thead> <tr> <th>Baseline (2015)</th> <th>Target (2021)</th> </tr> </thead> <tbody> <tr> <td><i>At least 6 out of the 9 elements of fiscal information (including at least 4 basic elements) are available to the public (PEFA Rating B)</i></td> <td><i>At least 8 out of the 9 elements of fiscal information (including all 5 basic elements) are available to the public (PEFA Rating A)</i></td> </tr> </tbody> </table> <p><i>Source:</i> PEFA, Performance Indicator on Public access to key fiscal information (PI-10 using methodology 2011 or PI-9 using methodology 2016)</p>	Baseline (2017)	Target (2021)	0	85,000	Baseline (2015)	Target (2021)	<i>At least 6 out of the 9 elements of fiscal information (including at least 4 basic elements) are available to the public (PEFA Rating B)</i>	<i>At least 8 out of the 9 elements of fiscal information (including all 5 basic elements) are available to the public (PEFA Rating A)</i>	<p>Milestone 7.1.1: Establishment of an Integrated Cadastre-Registry Information System (SIICAR)</p> <table border="1" data-bbox="877 399 1360 578"> <thead> <tr> <th>Baseline (2017)</th> <th>Target (2020)</th> </tr> </thead> <tbody> <tr> <td>first version of SIICAR established in one department</td> <td>at least three departments including Managua</td> </tr> </tbody> </table> <p><i>Source:</i> Attorney General’s Office (PGR)</p> <p>Milestone 7.2.1: Number of basic elements of fiscal transparency from the PEFA that the government makes publicly available</p> <table border="1" data-bbox="877 821 1360 1040"> <thead> <tr> <th>Baseline (2017)</th> <th>Target (2019)</th> </tr> </thead> <tbody> <tr> <td><i>4 basic elements are available to the public (PEFA Rating B)</i></td> <td><i>All five basic elements are available to the public (PEFA Rating A)</i></td> </tr> </tbody> </table> <p><i>Source:</i> PEFA, Performance Indicator on Public access to key fiscal information (PI-10 using methodology 2011 or PI-9 using methodology 2016)</p>	Baseline (2017)	Target (2020)	first version of SIICAR established in one department	at least three departments including Managua	Baseline (2017)	Target (2019)	<i>4 basic elements are available to the public (PEFA Rating B)</i>	<i>All five basic elements are available to the public (PEFA Rating A)</i>	<p>Ongoing:</p> <p>IDA</p> <ul style="list-style-type: none"> • 2nd Land Administration (P121152) • Public Financial Management; Modernization TAL (P111795) <p>ASA</p> <ul style="list-style-type: none"> • Improving Quality and Efficiency of Public Sector Audit (P161359) • PEFA • Poverty: Strengthening of statistical capacities (INIDE) • The Economic Impacts of Global Uncertainty on Central America (P165256) <p>Planned:</p> <p>IDA</p> <ul style="list-style-type: none"> • Property Rights Strengthening (P163531) (IDA18); • Public Sector Information and Efficiency (IDA18) <p>ASA</p> <ul style="list-style-type: none"> • Public Financial Accountability
Baseline (2017)	Target (2021)																	
0	85,000																	
Baseline (2015)	Target (2021)																	
<i>At least 6 out of the 9 elements of fiscal information (including at least 4 basic elements) are available to the public (PEFA Rating B)</i>	<i>At least 8 out of the 9 elements of fiscal information (including all 5 basic elements) are available to the public (PEFA Rating A)</i>																	
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<i>4 basic elements are available to the public (PEFA Rating B)</i>	<i>All five basic elements are available to the public (PEFA Rating A)</i>																	

Milestone 7.2.2: Increase in the share of public procurement executed through competitive process

Baseline (2017)	Target (2020)
0	10 % *

** Preliminary number until data from ministry of Finance is provided. Percentage increase in the volume of procurement executed through competitive methods (tender, quotation, framework agreements) as a share of the total value of executed public procurement.*

Source: Ministry of Finance

ANNEX 2: DEFINITIONS OF INDICATORS

Indicator	Description
<p>Percentage of participating primary and secondary education teachers with improved teaching practices.</p>	<p>Teaching practices are measured by an index score from data collected through a new classroom observation instrument that captures, among other things, the following: (i) didactic planning of their teaching; (ii) implementation of learning strategies; and (iii) evaluation of student learning; the development of gender-sensitive classroom practices and student life skills will also be captured in the instrument. The composition of the index will vary according to educational level and other school characteristics. Under the Project each participating teacher will be observed three times during the academic year. An improvement in the teaching practices will be measured by the increase in the teacher's index score over the course of the academic year (e.g., this would be obtained by comparing the values of the index obtained in March vs November in the same academic year). Targets consider: (i) the target number of teachers that will receive mentoring each year (out of the 3,750 teachers that will be mentored during the whole Project); (ii) a target of 50 percent of primary school teachers and 25 percent of secondary school teachers improving their teaching practices. The expectation is that the teacher training course for primary school teachers (component 1.1.3) will also improve their teaching practices as measured by the new classroom observation instrument; and (iii) that 75 percent of those mentored would be primary school teachers, and the rest (25 percent) would be secondary school teachers; this reflects the approximate proportion of teachers in the system.</p> <p>Baseline (2017): 0 % Target (2021): 37.5% Source: Teacher Training Directorate, Ministry of Education</p>
<p>Percentage of participating preschool teachers with desired teaching practices.</p>	<p>Teaching practices in preschool will be captured by generating a score based on relevant portions of the instruments in the country's preschool assessment system (SEIDI), which includes a classroom observation tool. Throughout the Project, teachers will be observed three times: (a) pilot observation in mid-2016; (b) baseline observation in early 2019; and (c) follow-up observation in late 2020 (to be reported in 2021). The desired level of teaching practices is established based on the development of the composition of the teaching practices score and its analysis using data from the pilot observation in mid-2016. Targets consider: (i) the number of preschool teachers nationwide; (ii) an end target of 30 percent of teachers improving their teaching practices as a result of the Project support. The sample of teachers used to measure this indicator will be representative at the national level and will be stratified according to relevant criteria.</p> <p>Baseline (2017): 0 Target (2021): 30% Source: Teacher Training Directorate, Ministry of Education</p>

<p>Increased earnings of workers participating in employment program at least six months after program completion (disaggregated by gender).</p>	<p>The increase in earnings will be measured as the difference in individual earnings of participants who successfully complete the employment program between its value at a baseline date prior to the start of the employment program and six months after its completion. The indicator will be measured for both women and men applying the same target.</p> <p>Baseline (2017): 0 Target (2021): 5% Source: WBG Report</p>
<p>Increased share of adolescent (< 20 years of age) mothers delivering in institutions in selected municipalities (grouped by current status of service coverage and quality).</p>	<p>Number of women under 20 years of age with institutional delivery divided by the total number of births among women under 20 years of age x 100. This indicator will be estimated for the three groups of municipalities (G1, G2, and G3) under the project area. Group G1 refers to those municipalities that need greater improvement in coverage and quality of care; Group G2 refers to those municipalities that need moderate improvement in their coverage and quality of care, and Group G3 refers to those municipalities that need least improvement in their coverage and quality of care. The Indicator is reported by year.</p> <p>Baseline (2016): G1: 44%; G2: 76%; G3: 80% Target (2021): G1: 50%; G2: 82%; G3: 88% Source: MOH, DGSS, Statistical Unit Source: Ministry of Health, General Division of Planning and Development</p>
<p>Number of people in rural areas provided with access to improved water supply and sanitation services.</p>	<p>Additional people with access to sustainable water supply and sanitation services in 108 municipalities. Sustainable water services include: (i) provision of potable water at least 16h/day; (ii) an effective water management model in place (such as a Water Supply and Sanitation Committee); and (iii) collections of tariffs from community households sufficient to cover at least the administration, operation and maintenance costs of water infrastructure. Sustainable sanitation services are defined as regular usage of improved sanitation solutions by household members, with improved sanitation solutions being those that hygienically separate human excreta from human contact.</p> <p>Baseline (2017): Water: 3,435; Sanitation: 1,267 Target (2019): Water: 25,330; Sanitation: 27,395 Source: Rural Water and Sanitation Information System - <i>Sistema de Información de Agua y Saneamiento Rural</i> (SIASAR)</p>

<p>Decrease in total travel time to access markets and services in selected areas (percentage).</p>	<p>Measurement of the access to markets and services as a percentage of travel time saved by the users to reach markets as well as education and health services, in line with progress in improving non-rural and rural roads (under components 1.1, 1.2 and 1.3 [i] of the Rural and Urban Access Improvement Project). Travel time is determined through the average travel speeds obtained from HDM-4 (non-rural roads) and RED (rural roads), for both the with and without project scenarios. In the case of the rural roads, a 50% speed reduction is considered to represent the impact of heavy rains during the rainy season. Time savings is the difference between the travel time in the without-project scenario and the travel time in the with-project scenario, measured in percentage.</p> <p>Baseline (2017): 0 percent Target (2022): 30 percent Source: Ministry of Transport and Infrastructure</p>
<p>Number of transport projects under tendering for PPP procurement.</p>	<p>Number of transport projects as a share of the total number of projects in the PPP pipeline portfolio for Nicaragua. This indicator measures the participation of the transport sector in the overall multisector PPP pipeline portfolio. Transport projects included in the pipeline portfolio will have completed the screening process and they will be under tendering/procurement.</p> <p>Baseline (2017): 0 Target (2020): 2 (both national or local level) Source: Ministry of Finance</p>
<p>Enhanced Regulatory Framework for Integration of Renewable Energy Technologies.</p>	<p>The indicator of enhanced Regulatory Framework allows the adequate management of the variability inherent to Variable Renewable Energy, in order to integrate these variable technologies in the wider power sector without compromising the security of supply. The information to evaluate this regulatory framework adaptation will include relevant official publications, such as the Official Gazette.</p> <p>Baseline (2016): No Regulatory framework and Technical procedures adequate to handle the variability inherent to Variable Renewable Energy Target (2021): Regulatory framework and Technical procedures adapted to optimize the management of the inherent variability to Variable Renewable Energy Source: Institute of Energy (<i>Instituto Nicaragüense de Energía</i>) (INE)</p>
<p>Installed Megawatts (MW) of power generation from Renewable Sources.</p>	<p>Nominal amount of power generation capacity (megawatts-MW) installed from renewable resources, including geothermal, biomass, solar, wind and hydro resources as primary source of energy. The information to evaluate this indicator will be taken from official statistics of the Instituto Nicaragüense de Energía (INE), or a similar official source, for the relevant year reported.</p>

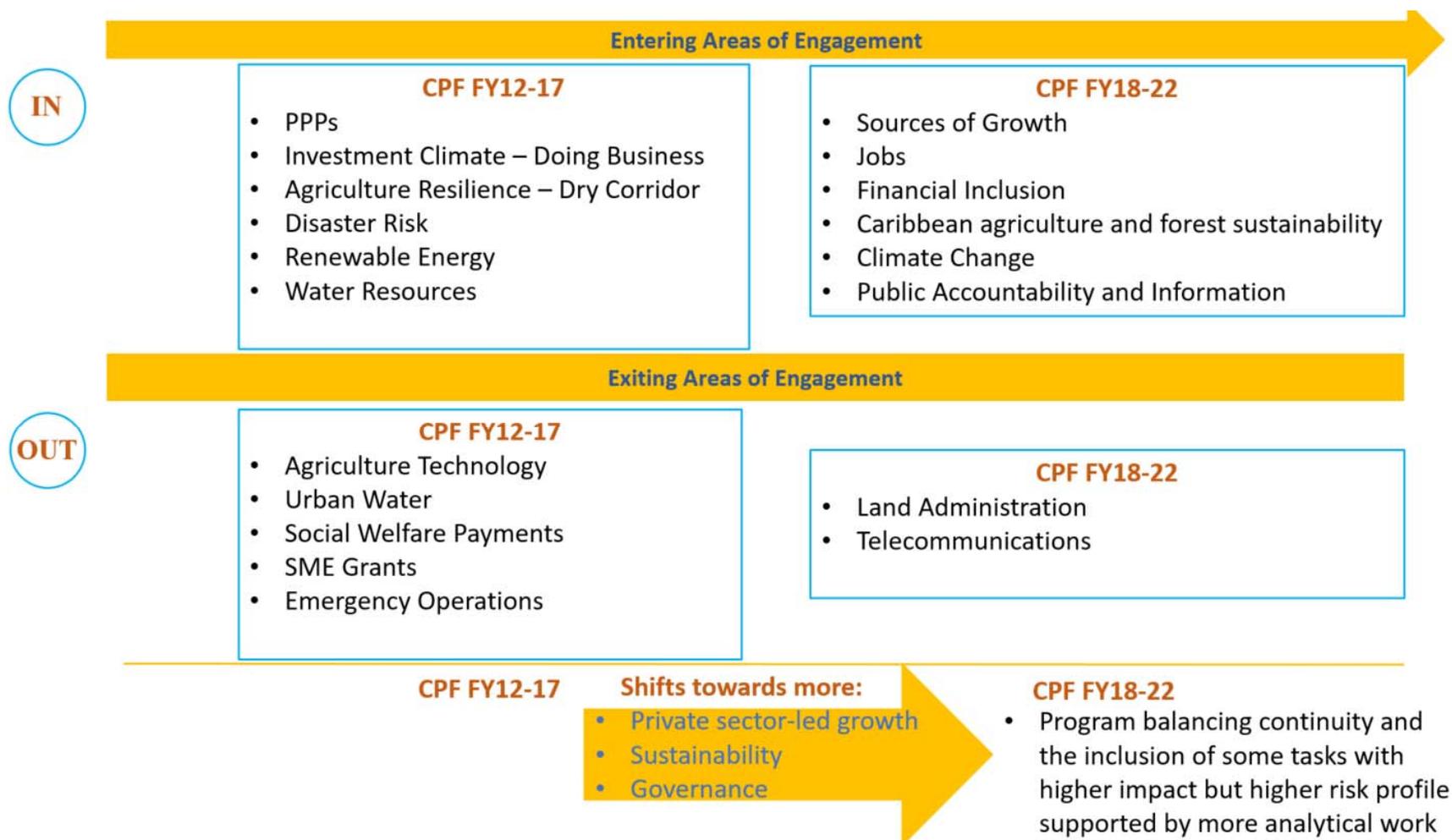
	<p>Baseline (2017): 661.13 MW Target (2021): 710 MW *</p> <p><i>* WBG support to enhance regulation of renewable technologies is expected to leverage increased private sector investments, estimated to result in an additional 100MW of installed renewable energy.</i></p> <p>Source: Institute of Energy (<i>Instituto Nicaragüense de Energía</i>) (INE)</p>
<p>Share of firms with bank loan/line of credit.</p>	<p>Percentage of firms with outstanding loan or line of credit from a financial institution at the national level. Respondents are asked to report the gender of the top manager. Enterprise Surveys covers selected regions within a country that represent the largest centers of production and business enterprise. For Nicaragua, the survey defines the following regions: east, west, north, and Managua. Rural areas are the sum of the east, west, and north regions.</p> <p>Baseline (2016): 47.8 percent By women top managers: 50.3 percent By rural areas (outside Managua): 44.5 percent Target (2021): 55.0 percent By women top managers: 59.0 percent By rural areas (outside Managua): 50.5 percent</p> <p>Source: WBG's Enterprise Survey (conducted about 3-4 years on average)</p>
<p>Number of reforms recognized by Doing Business.</p>	<p>Changes to the regulatory and legal framework to improve the investment climate that fall within the Doing Business case study. Reforms are assessed each year by the Doing Business via private sector surveys and must be fully implemented by April 30th to be included in the next report (released in October). Legal reforms are counted the year following legislative approval.</p> <p>Baseline (DB2018): 1 reform Target (DB2021): 3 reforms*</p> <p><i>*3 reforms recognized by Doing Business over 3 years in the areas identified in the Milestones (Registering Property, Trading Across Borders, Construction Permitting).</i></p> <p>Source: Doing Business Report</p>
<p>Increased agricultural productivity among targeted beneficiaries in the Caribbean and Dry Corridor regions.</p>	<p>Productivity will be measured as a percentage of increase in crop yields of poor smallholders who benefit from the Dry Corridor Climate Resilient Agriculture Project or the Caribbean Coast Food Security Project. Both projects will monitor this indicator in their Results Framework; they target and monitor the main crops whose production improvements are supported by subprojects financed to groups of poor smallholders. The indicator will be reported for the target area of both projects (15 municipalities in the Caribbean Coast and 30 municipalities in the Dry Corridor, based on a total of 24,000 beneficiaries). Both project will have baseline data, annual reports,</p>

	<p>mid-term and final reports, and impact evaluation reports. The Caribbean Coast Project will provide first data in its mid-term progress Report to be presented in April 2018.</p> <p>Baseline (2017): 0 percent Target (2022): 15 percent Source: MEFFCA: Mid-term Project Reports from Nicaragua Dry Corridor Climate Resilient Agriculture Project; Nicaragua Caribbean Coast Food Security Project</p>
Fiscal policy tool in place to manage oil price variability.	<p>Fiscal policy tool in place to manage oil price variability, including Strategy to build fiscal buffers and improve resilience to oil price variability</p> <p>Baseline (2017): tool not in place Target (2021): tool in place Source: Ministry of Development, Industry, and Commerce</p>
Improved regulatory framework to implement new energy efficiency legislation.	<p>Improving the regulatory framework will support the promotion of more efficient energy consumption in those sectors driving energy demand, to reduce the need for fuel imports. The information to evaluate this indicator will be taken from relevant official publication means, like the Official Gazette, and official information provided directly by the relevant country institutions.</p> <p>Baseline (2017): No new regulation on energy efficiency performance standards and labelling of appliances, building codes, or Energy Efficiency Fund. Target (2021): New Regulatory Framework on Energy Efficiency aiming at moderating energy consumption in the country Source: Institute of Energy (<i>Instituto Nicaragüense de Energía</i>) (INE), and publication in the Official Gazette, or relevant official publication means.</p>
Increase in the number of instruments that provide access to liquidity on time to immediate response after a disaster.	<p>Disaster Risk Financing Instruments include a combination of sovereign disaster risk transfer and risk retention finance instruments to respond against disasters, such as emergency fund, contingent credit lines (CAT DDO), CERC, Post-disaster Infrastructure credits and insurances, reinsurances, and bonds, among others</p> <p>Baseline (2017): 2 instruments, including 1 emergency fund and 3 parametric insurances policies - earthquake, cyclones and excess of rainfall. Target (2019): At least 3 instruments, including 1 emergency fund, 3 or 4 parametric insurance policies, including potentially CERC or a parametric insurance coverage for droughts. Source: Ministry of Finance.</p>
Increased areas of forest protection, restauration, sustainable forest management, and reforestation in the	<p>This indicator will be measured via reports of the National Forest Monitoring System and updates of the national forest map, and the national forest reference levels, supported by the National REDD+ Strategy. Changes in forest areas would be associated to the effect of policy measures promoted by the National REDD+ Strategy (to be</p>

<p>Caribbean and Dry Corridor regions, based on the 2015 forest map.</p>	<p>implemented nationwide), as well as to specific achievements (forest areas) of both the Resilient Landscapes Management Project (implemented in the Dry Corridor) and the Caribbean Coast Emissions Reduction Program. This indicator includes a broad range of forest activities which, amongst other positive impacts, would eventually lead to the reduction of greenhouse gases emissions from deforestation, forest degradation, as well as the promotion of forest restoration, reforestation, and sustainable forest management. With the above-mentioned projects (through small grants, technical assistance, and policy incentives) the WBG will promote forest restoration and reforestation to increase connectivity of forest land areas in the Dry Corridor, as well as forest conservation and protection, and community-based sustainable forest management in the Caribbean Coast of Nicaragua.</p> <p>Baseline (2017): 3.9 million hectares (total area reported in the National REDD+ Strategy, 2016) Target (2022): 0.74 million additional hectares Source: National Forest Monitoring System, MARENA: Project reports FROM National Strategy on Reduced Deforestation and Forest Degradation (REDD+) TF099264, Resilient Landscapes Management Project (P160688), Caribbean Coast Emissions Reduction Program (P120657)</p>
<p>Improved information and management tools to enhance water resources management.</p>	<p>Improved information and management tools related to information products and water resources management plans for river basins and/or aquifers that will serve as a basis for water allocation and the development of water related interventions. The adoption by the government will be measured through their official publication and/or adoption through formal resolution.</p> <p>Baseline (2017): 0 information and management tools Target (2021): <i>3 information and management tools approved by government, including at least two water resource management plans and an information system.</i></p> <p>Source: ENACAL (<i>Empresas Nicaragüenses De Aguas Y Alcantarillados</i>)</p>
<p>Number of Disaster Risk Management (DRM) Programs in place to reduce vulnerability to natural hazards in selected sectors and high risk areas.</p>	<p>Number of Disaster Risk Management (DRM) Programs approved by the government and being implemented to reduce vulnerability to natural hazards in selected high risk prone areas or sectors by targeting two main processes of DRM in Nicaragua: 1) enhancing risk knowledge, and 2) reducing disaster risk.</p> <p>Baseline (2017):0 Target (2021): One DRM program in place addressing: i) one sector, and ii) four targeted high risk areas.</p> <p>Source: Institute of Land Studies' Physical Cadastre (<i>Instituto Nicaragüense de Estudios Territoriales</i> (INETER))</p>
<p>Increase in the number of land regularization legal documents provided.</p>	<p>This indicator measures the total number of legal documents issued to beneficiaries of land tenure regularization program financed by the Bank, including systematic and on demand activities. These documents include new titles, deeds and certificates depending on the legal situation of the property. The Property Intendancy, under PGR, which is in charge of the regularization activities, has a system to monitor and report on progress regarding legal documents issued.</p>

	<p>Baseline (2017): 0 Target (2021): 85,000</p> <p>Source: Attorney General’s Office (PGR)</p>
<p>Scope and comprehensiveness of fiscal information that the government makes publicly available, according to international best practices.</p>	<p>This indicator assesses the facilities available to the public for accessing key fiscal information generated by the central government in Nicaragua. Information transparency is evaluated, on the one hand, by availability and ease of access to the pertinent documentation by the population (or at least by stakeholders), and, on the other hand, by the quality, completeness, and timeliness of the information.</p> <p>Baseline (2015): At least 6 out of the 9 elements of fiscal information (including at least 4 basic elements) are available to the public (PEFA Rating B) Target (2021): At least 8 out of the 9 elements of fiscal information (including all 5 basic elements) are available to the public (PEFA Rating A)</p> <p>Source: PEFA, Performance Indicator on Public access to key fiscal information (PI-10 using methodology 2011 or PI-9 using methodology 2016)</p>

ANNEX 3: CONTINUITY AND CHANGE IN NICARAGUA'S CPFs FY12-22



ANNEX 4: SELECTED INDICATORS OF BANK PORTFOLIO PERFORMANCE AND MANAGEMENT

CAS Annex B2 - Nicaragua
Selected Indicators* of Bank Portfolio Performance and Management
As of Date 01/12/2018

Indicator	FY15	FY16	FY17	FY18
Portfolio Assessment				
Number of Projects Under Implementation ^a	9.0	8.0	10.0	9.0
Average Implementation Period (years) ^b	3.0	3.8	3.3	3.6
Percent of Problem Projects by Number ^{a, c}	0.0	12.5	20.0	22.2
Percent of Problem Projects by Amount ^{a, c}	0.0	2.0	7.5	9.3
Percent of Projects at Risk by Number ^{a, d}	0.0	12.5	20.0	22.2
Percent of Projects at Risk by Amount ^{a, d}	0.0	2.0	7.5	9.3
Disbursement Ratio (%) ^e	33.2	33.1	43.2	14.2
Portfolio Management				
CPPR during the year (yes/no)				
Supervision Resources (total US\$)				
Average Supervision (US\$/project)				

Memorandum Item	Since FY80	Last Five FYs
Proj Eval by OED by Number	58	7
Proj Eval by OED by Amt (US\$ millions)	1,692.0	243.3
% of OED Projects Rated U or HU by Number	10.5	14.3
% of OED Projects Rated U or HU by Amt	6.5	6.0

a. As shown in the Annual Report on Portfolio Performance (except for current FY).

b. Average age of projects in the Bank's country portfolio.

c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).

d. As defined under the Portfolio Improvement Program.

e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.

* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

ANNEX 5: OPERATIONS PORTFOLIO (IBRD/IDA AND GRANTS)

CAS Annex B8 - Nicaragua Operations Portfolio (IBRD/IDA and Grants)

As of 12/31/2017

Closed Projects		87									
IBRD/IDA*											
Total Disbursed (Active)		149.81									
of which has been repaid(1)		0.00									
Total Disbursed (Closed)		872.77									
of which has been repaid		63.11									
Total Disbursed (Active + Closed)		1,022.58									
of which has been repaid		63.11									
Total Undisbursed (Active)		231.92									
Total Undisbursed (Closed)		0.00									
Total Undisbursed (Active + Closed)		231.9239177									

Active Projects											
Project ID	Project Name	<u>Last PSR</u>			<u>Original Amount in US\$ Millions</u>					<u>Difference Between Expected and Actual Disbursements^a</u>	
		Supervision Rating		Fiscal Year	IBRD	IDA	Grants	Cancel.	Undisb.	Orig.	Frm Rev'd
		<u>Development Objectives</u>	<u>Implementation Progress</u>								
P161029	ACE	S	S	2017	0.0	55.0		0.0	50.0	3.7	0.0
P155235	CARCIP-Nicaragua	S	S	2017	0.0	20.1		0.0	18.1	1.7	0.0
P126357	NI 2nd Support to the Education Sector	MS	S	2012	0.0	30.0		0.0	2.8	-0.3	-3.1
P127088	NI Climate Adaptation and Water GEF	MU	MS	2013	0.0	0.0	6.0	0.0	1.3	0.7	0.8
P111795	NI PFM Modernization TAL	MS	MS	2011	0.0	35.0		0.0	10.1	-14.9	-2.5
P121152	NI Second Land Administration Project	S	S	2013	0.0	58.0		4.0	20.6	-5.4	1.4
P147006	NI Sustainable Rural WSS Sector	MU	MU	2014	0.0	30.0		0.0	22.2	17.6	0.0
P160359	Rural & Urban Access Improvement Projec	S	S	2017	0.0	96.8		0.0	83.2	-8.5	0.0
P152136	Strengthening the Public Health Care Sys	S	S	2015	0.0	60.0		0.0	23.6	-14.2	0.0
Overall Result					0.0	384.9	6.0	4.0	231.9	-19.6	-3.4

* Disbursement data is updated at the end of the first week of the month.

a. Intended disbursements to date minus actual disbursements to date as projected at appraisal.

ANNEX 6: STATEMENT OF IFC'S HELD AND DISBURSED PORTFOLIO AND STATEMENT OF MIGA'S OUTSTANDING EXPOSURE

B8 (IFC) For Nicaragua
Committed and Disbursed Outstanding Investment Portfolio
As of 12/31/2017
(In USD Millions)

FY Approval	Company	Committed					Disbursed Outstanding				
		Loan	Equity	**Quasi Equity	*GT/RM	Participant	Loan	Equity	**Quasi Equity	*GT/RM	Participant
FY14	BCO DE FINANZAS	0.00	0.00	3.75	0.00	0.00	0.00	0.00	3.75	0.00	0.00
FY15	CONDOR PLC	0.00	1.26	0.00	0.00	0.00	0.00	1.26	0.00	0.00	0.00
FY16	CONDOR PLC	0.00	0.35	0.00	0.00	0.00	0.00	0.35	0.00	0.00	0.00
FY09	CUKRA	2.27	0.00	0.00	0.00	0.00	2.27	0.00	0.00	0.00	0.00
FY14	FDL	1.25	0.00	0.00	0.00	0.00	1.25	0.00	0.00	0.00	0.00
FY08	H. METROPOLITANO	2.17	0.00	0.46	0.00	0.00	2.17	0.00	0.46	0.00	0.00
FY15	H. METROPOLITANO	4.04	0.00	0.00	0.00	0.00	4.04	0.00	0.00	0.00	0.00
FY13	MONTELIMAR	8.57	0.00	0.00	0.00	0.00	8.57	0.00	0.00	0.00	0.00
FY11	PENSA NICARAGUA	22.62	0.00	16.61	0.00	0.00	22.62	0.00	16.61	0.00	0.00
Total Portfolio:		40.92	1.61	20.82	0.00	0.00	40.92	1.61	20.82	0.00	0.00

STATEMENT OF MIGA'S OUTSTANDING EXPOSURE

Effective Date	Expiration Date	Investor Name (Guarantee Holder)	Investor Country	Business Sector	Project Name	Maximum (\$USD)
08/10/2012	08/09/2032	Investment Energy Resources Limited	Costa Rica	Infrastructure	Eolo de Nicaragua (Eolo)	16,290,000
Total Exposure						16,290,000

ANNEX 7: FY18-22 INDICATIVE NEW LENDING PROGRAM

NICARAGUA: INDICATIVE NEW LENDING PROGRAM (FY18-22) in US\$ millions ^{1/}					
TOTAL CPF INDICATIVE PROGRAM FY18-FY22 (US\$575 million)					
<i>Pillars</i>					
Investing in Human Capital particularly for disadvantaged groups	Amount	Enabling Private Investment for Job Creation	Amount	Improving Institutions for Resilience and Sustainability	Amount
FY18 INDICATIVE PROGRAM (US\$195.0 million)					
<ul style="list-style-type: none"> • Integrated Public Provision of Health Care Services 	60.0	<ul style="list-style-type: none"> • Rural and Urban Access Improvement (IDA SUF) ^{2/} 	35.0	<ul style="list-style-type: none"> • Dry Corridor Climate Resilient Agriculture Project • Property Rights Strengthening 	50.0 50.0
<i>Approximate share of each pillar in FY18 ^{3/}</i>					
31%		18%		51%	
FY19 - FY22 INDICATIVE PROGRAM (US\$380.0 million)					
<i>POTENTIAL FOCUS AREAS ^{4/}</i>					
<ul style="list-style-type: none"> • <i>Employability</i> 	<i>tbd</i>	<ul style="list-style-type: none"> • <i>Financial Inclusion and Private Sector</i> • <i>Rural Roads</i> 	<i>tbd</i> <i>tbd</i>	<ul style="list-style-type: none"> • Geothermal Resource Risk Mitigation • <i>Water Resources and Services</i> • <i>Transparency and Public Sector Management</i> • <i>Forest and Livestock Management</i> 	45.0 <i>tbd</i> <i>tbd</i> <i>tbd</i>

1/ In order to obtain a full picture of the WB's engagement in each sector this new lending program should be read in conjunction with the WB's ongoing projects as well as other DP activities.

2/ Scale Up Facility available on IBRD terms

3/ Does not reflect secondary contributions of projects to other pillars

4/ All focus areas and funding allocations yet to be finalized and determined (*tbd*) except Geothermal Resource Risk Mitigation

ANNEX 8: SUMMARY OF PLANNED ASA PROGRAM [FULL DETAILS IN RESULTS MATRIX]

Investing in Human capital particularly for disadvantaged groups	Enabling Private Investment for Job Creation	Improving Institutions for Resilience and Sustainability
FY18 PROGRAM		
<ul style="list-style-type: none"> • Central America Employability and Jobs (Jobs Diagnostic) • Strengthening Water Service Delivery for All in Central America • Monitoring Country Progress in Water Supply and Sanitation (MAPAS) in Central America - Phase II 	<ul style="list-style-type: none"> • Scaling up Geothermal Power in LAC – ESW/ joint IFC • Central America Programmatic Approach: Development of Inclusive and Sound Financial Systems • Central American Crisis Simulation Exercise • Doing Business Support • Review of PPP policy environment 	<ul style="list-style-type: none"> • Improving Quality and Efficiency of Public Sector Audit • Nicaragua FCPF REDD Readiness • Hydromet capacity assessment and strengthening • Central America Financial Management Country Systems and Fiduciary Training • Climate Smart Landscapes and El Niño Preparedness
FY19 – FY22 INDICATIVE PROGRAM		
<ul style="list-style-type: none"> • Sustainable rural water supply and sanitation impact assessment • Tackling Teenage Pregnancy in Nicaragua • Education Policy (WDR, vocational, etc.) • Gender Assessment/ Empowerment • Youth Employment and Crime and Violence in Central America - Measuring Soft Skills, Mental Health, Crime, and Violence – ESW • Long-term impacts of exposure in early childhood to cash transfers and home-based parenting training in rural Nicaragua, Impact Evaluation • Nicaragua Capacity Building on Health Statistics Information 	<ul style="list-style-type: none"> • Sources of Growth, investment climate, and Doing Business reforms • Regional Central American Project to support the implementation of the Trade Facilitation Agreement – PA/Joint IFC • Central America Energy Assessments - 6C • Central America Public Private Partnership • Transport Infrastructure PPP1 and 2 (Joint IFC) 	<ul style="list-style-type: none"> • Central America economic impacts of Global Uncertainty • Macro volatility and fiscal risks/ poverty dynamics • Public Financial Accountability • Strengthening DRM and Resilience of Central American Municipalities • PEFA • Poverty: Strengthening Statistical Capacity – INIDE • Enhancing DRM in Central America (Programmatic Knowledge Services) • Supporting CA Countries in Implementing COP 21 Commitments

ANNEX 9: NICARAGUA COMPLETION AND LEARNING REVIEW FY13-17

Introduction

1. **The Completion and Learning Review (CLR) evaluates the performance of the Nicaragua Country Partnership Strategy (CPS) for fiscal years (FY) 2013-2017.** It evaluates the relevance and achievements during the CPS period, as well as the performance of the World Bank Group (WBG) and alignment to the Twin Goals. In addition, the CLR highlights lessons to guide the design and preparation of the new Country Partnership Framework (CPF). The CLR evaluation is based on the revised Results Matrix of the Performance and Learning Review (PLR).

2. **Overall progress toward achieving CPS outcomes was Moderately Satisfactory.** The CPS was designed to help foster growth and support the government's National Plan for Human Development (PNDH) (2012-2016) through two pillars: (i) improving access to quality basic services; and (ii) increasing competitiveness and productivity. At the time of the PLR, minor adjustments were made to refine the Results Framework; and considering the satisfactory pace of implementation, CPS priorities remained relevant and aligned to the government's priorities throughout the CPS period. Out of 14 CPS outcomes, ten were achieved (surpassing targets in eight) and four were mostly achieved. Strong commitment by the Nicaraguan authorities, together with effective mechanisms for program monitoring and communication, were essential for successful implementation of the CPS. Nevertheless, the Pillar I objective was inherently difficult to measure due to challenges in defining outcome measures of quality, as well as delineating attribution of such measures to CPS activities. While the activities under the CPS are highly likely to have improved access to quality basic services, the outcome indicators and milestones of the results framework relied heavily on input measures to assess this progress. For these reasons, the CPS is assessed as being "Moderately Satisfactory" instead of "Satisfactory."

3. **WBG performance in designing and implementing the CPS is assessed as Good.** Over the period, the WBG leveraged a broad set of products and services, based on a CPS that was aligned to the priorities laid out in the government's PNDH (2012-2016). Resources from the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA)⁸ were used across sectors of WBG strategic advantage overlapping with country needs. Nicaragua's substantive IDA portfolio continues to be one of the best disbursing programs in Latin America and the Caribbean (LAC), with a weighted average of approximately 34 percent over the CPS period (see Annex 4). In addition to implementation of the CPS as "One WBG" and strong disbursement figures, the WBG also displayed flexibility to the changing (and increasing) needs of Nicaragua, leveraging additional funding (both internally and externally) to support country development goals. Finally, the CPS program was well designed and closes with a portfolio of well-performing activities across the WBG. Despite these positive achievements, WBG performance is assessed as "Good" (as compared to "Superior") given the previously noted shortcomings in the design of the certain aspects of the CPS results framework, discussed further below.

⁸ The amount delivered by the IDA during the CPS period reached US\$527.82 million, including US\$34.5 million in additional IDA (beyond original allocation), US\$50 million through the IDA Scale Up Facility, US\$23.6 million in Regional IDA, and US\$87.9 million in financing from other donors (implemented by WBG). The IFC delivered a total of US\$529.52 million, and MIGA entered into guarantees worth US\$88.97 million for private sector investment during the period.

Progress towards country development outcomes

4. **Nicaragua's growth has been particularly strong since 2012.** Real growth domestic product (GDP) growth averaged 5.2 percent between 2012 and 2016. Nicaragua's economic performance compares favorably with other countries in the Latin America and Caribbean region both in terms of GDP and GDP per capita growth.⁹ This steady growth was supported in part by sound macroeconomic management and prudent fiscal policies. Nicaragua's exchange rate policy¹⁰ has placed emphasis on price stability and predictability in a highly *de facto* dollarized economy. On the fiscal side, the non-financial public sector deficit (after grants) averaged 1.3 percent of GDP and external public debt has displayed a declining trend, falling from 42.8 percent in 2012 to 38.2 percent in 2016.¹¹ The country's external position has also improved over the same period, with the current account deficit declining from 10.7 percent in 2012 to 8.6 percent in 2016 mainly due to a decline in international oil prices. Nicaragua has benefited from solid foreign direct investment inflows, which reached US\$835 million in 2015 (about 6.6 percent of GDP), second only to Panama in the Central America region.¹²

5. **In contrast to the stagnant poverty rate observed until 2005, poverty reduction has accelerated in Nicaragua over the last ten years; however, challenges remain.** Official estimates indicate that extreme poverty in Nicaragua remained stagnant at about 17 percent between 1998 and 2005 before decreasing to nearly seven percent in 2016.¹³ Similarly, the official overall poverty rate remained constant at about 48 percent between 1998 and 2005 before falling to about 25 percent in 2016.¹⁴ Despite these gains, the proportion of Nicaraguans living in poverty is still high and the country remains among the poorest in LCR after Guatemala, Honduras, and Haiti. The largest economic group in the country consists of vulnerable Nicaraguans¹⁵ who are not poor but are at risk of falling into poverty if hit by a shock; by 2014, this group accounted for 45 percent of Nicaraguans. Furthermore, the continued (and increasing) threat of natural disasters and other impacts of climate change may negatively impact the ability to sustain recent social gains and continue poverty reduction efforts.

6. **The Government of Nicaragua (GoN) advanced toward several key development goals outlined in its HNDP (2012-2016).** The Plan focused on expanding social programs and promoting inclusive economic growth. At its outset, government defined a clear agenda to increase access to basic services and improve the country's competitiveness. To further reduce poverty and increase shared prosperity, it focused on expanding social programs and rolled out its Family and Community Based Social Welfare Model, which uses inter-sectoral coordination at the local level to better address the multi-dimensional nature of poverty, while also employing individualized poverty exit strategies adapted to families/individuals and local conditions. The government also focused on improving infrastructure, particularly the road network, as a means to boost economic development and in the absence of other widely available and affordable modes of transportation. Finally, the government emphasized the importance of improving the business environment and reducing red tape as a critical step to improving productivity and competitiveness, revising the almost 100 year-old Commercial Code (now pending Congressional approval), and making it

⁹ Nicaragua GDP (per capita) grew by 5.2 (4.0) percent between 2012 and 2016. The average GDP growth in LCR over the same period was 1.2 (0.03) percent.

¹⁰ Nicaragua maintains a crawling peg exchange rate with a preannounced rate of devaluation of five percent per year.

¹¹ Macroeconomic Statistics Yearbook 2016, Central Bank of Nicaragua (2017).

¹² Economic Commission for Latin America and the Caribbean (2016).

¹³ Extreme poverty is measured as the percentage of individuals with a per capita consumption lower than the official extreme poverty line of C\$11,259 in 2016.

¹⁴ Overall poverty is measured as the percentage of individuals with a per capita consumption lower than the general poverty line of C\$18,311 in 2016.

¹⁵ Defined as those with an income between US\$4 and US\$10 per day in 2005 purchasing power parity.

easier to start a business. Nicaragua also made paying taxes easier for companies by promoting electronic filing and payment of major taxes, an option now used by most taxpayers.

CPS Development Outcome

7. **The CPS Development Outcome rating is Moderately Satisfactory.** The CPS was designed across two strategic pillars and fourteen key outcomes. At the time of the PLR, significant progress had already been achieved and only minor adjustments were made to the results framework to better reflect the focus and pace of implementation of the CPS program. At the CLR stage, the CPS Objectives are assessed as having been achieved or mostly achieved. Successful implementation of the CPS was due to strong client ownership coupled with flexibility and responsiveness by the WBG. For example, the Ministry of Finance was closely engaged in monitoring implementation of the CPS jointly with WBG and line ministries/institutions, allowing for timely and effective resolution of bottlenecks or other challenges. However, as previously mentioned, limitations in the measurability of the quality of basic services provided was a weakness of the original CPS results framework.

Pillar I. Improve access to quality basic services

8. **This pillar is rated Moderately Satisfactory.** Pillar I focused on improving access and quality of services in education, health, water and sanitation among poor and vulnerable sectors of the population in Nicaragua, as well as strengthening the public financial management system. Four of the seven expected outcomes were achieved (surpassing targets in some cases) and three were mostly achieved. Most notably, completion rates of primary and lower secondary education increased, and strong development outcomes were achieved in improving the delivery and quality of health services, as well as in ensuring sustainable access to water supply services in rural and indigenous communities.

9. **The WBG helped set a robust foundation for early childhood development and an evaluation system for preschool education, working to improve learning conditions and outcomes.** The Education Sector Strategy Support Project (P133557) supported the rollout of the Early Childhood Development Program nationwide. The cornerstone of this Program was the development and implementation of a Preschool quality model, which included: (i) a unified preschool curriculum that has been implemented nationwide, including new curricular instruments and the training of 100 percent of preschool teachers nationwide; (ii) a new teacher training program that allowed the certification of over 2,300 community-level empirical preschool teachers; (iii) improvements in preschool infrastructure, which included new quality standards and the rehabilitation of 104 preschool classrooms equipped with adequate furniture; and (iv) the annual distribution of learning materials to 100 percent of public and community preschools nationwide on an annual basis. Overall, these interventions benefitted 100 percent of public preschools throughout the country. In addition, the CPS program helped support the development and nationwide piloting of a new system for early childhood development and learning assessment to provide constant feedback on student outcomes.

10. **In addition, coverage and quality of primary and lower secondary educational services increased over the CPS period.** The WBG, through the Education Sector Strategy Support Project (P133557) and the Second Education Sector Strategy Support Project (P126357), supported increasing access of preschool, primary and lower secondary education. For example, these projects supported the provision of *Paquetes Solidarios* to the neediest children as an incentive to improve the retention through the school year. In addition, during the CPS, the completion rate for primary education has increased from 56.7 percent registered in 2010 to 71.4 percent in 2015. While the increase in completion rate is difficult to attribute

to any one activity, the package of support provided under the CPS period across the continuum of quality is likely to have positively impacted retention and completion. For example, nearly 2,400 primary schools (over 82 percent of total primary schools in 40 selected municipalities) were furnished with desks for teachers and students (among other supplies), and more than 1.3 million textbooks and workbooks were distributed, benefiting over 95 percent of total primary school students in targeted municipalities with math, language and literature, reading, and bilingual textbooks. Similarly, investments to improve the quality of teaching methods were also prioritized under this CPS, leading to the design and implementation of a pilot accelerated primary school program and the certification of 1,568 teachers in the multi-grade pilot program. Strategies for lower secondary education were similar, as efforts focused on improving educational facilities and the quality of teaching methods. As of July 2017, a total of 58 core lower secondary schools have improved their infrastructure with equipment (i.e., libraries and information communication technology), furniture, learning materials, and improved water and sanitation services. Additionally, 969 teachers completed a university-based certification program for secondary education. WBG support helped to increase the nation-wide completion rate for lower secondary education from 44.5 percent in 2010 to 74.6 percent in 2016.

11. To complement support in the education sector, the WBG helped implement a Family and Community-based Social Welfare Model. The Model relies on community-based education workshops which help to ensure families' awareness of all pertinent social assistance programs and basic services available to them, promote family values and avoidance of risky behaviors, and provide professional one-on-one counseling to families at risk. With support from the Social Protection Project (P121779), nearly 18,000 poor families were reached through the Family and Community-based Social Welfare Model, providing them with promotion services, family education workshops, and family grants (receiving US\$20 per month for attending the community workshops and agreeing to their Family Improvement Plans). Additionally, the Integral School Feeding Program implemented in 26 municipalities benefited nearly 236,000 children in preschools and primary schools. As a result, around 95 percent of families (4,398) whose children 5-13 years of age had previously not been attending school, were attending school in the 26 selected municipalities after concluding the family intervention; and around 90 percent of children (16,692) in primary school were promoted to the next school year in selected localities. The impact evaluation of the Social Protection project has also evidenced progress in parenting skills among beneficiaries, including increased time that parents spend with their children, improvements in nutrition, and the reduction of child labor among children from six to nine years (boys and girls). In addition, the WBG supported Nicaragua's Ministry of the Family (MIFAN) in developing a unique registry of beneficiaries (RUP), incorporating all families covered by their services to improve efficiency and targeting.

12. Access to and quality of health services for the poorest and most vulnerable populations were improved, particularly in rural and indigenous territories. Through the Strengthening the Public Health Care System Project (P152136), the WBG program supported the expansion of Nicaragua's Community and Family Health Care Model, with a focus on reducing the leading causes of maternal and child mortality, and improving access and quality of preventive health services among the most vulnerable rural and indigenous territories. To address these issues, capitation payments were also used to link financing to results of the Community and Family Health Care Model based on the population of responsibility identified by the Ministry of Health in each municipality and the attainment of performance goals (such as institutional deliveries, pre-natal & post-partum care), enhancing efficiency in health systems and health care networks, particularly in hard-to-reach rural and indigenous territories. The WBG supported the drafting and adoption of a National Adolescent Sexual Reproductive Health Strategy to reduce teen pregnancy and risky behaviors, which included training in adolescent health for over 7,000 health staff

and over 8,000 teachers. The National Immunization Program was strengthened to ensure equitable access to quality vaccines for children under one year old. Additionally, 12 hospitals and 34 municipal health network facilities were rehabilitated with medical and non-medical equipment to improve operating capacity, and Municipal Quality Health Care Plans were made mandatory for all 153 municipalities, including training on quality of care services for health staff nationwide. As a result, between 2011 and 2016: (i) institutional deliveries in targeted municipal health networks increased from 72 percent to 93 percent, surpassing the 86 percent target; (ii) the percentage of pregnant women receiving four prenatal checkups increased from 50 to 74 percent; (iii) coverage of post-partum women receiving postnatal care within 10 days of delivery increased from 32 to 65 percent, surpassing the 55 percent target; and (iv) the percentage of children less than one year old immunized with the Pentavalent vaccine increased from 88 to 100 percent.

13. IFC supported increased access to high quality medical care. In FY15, IFC provided a US\$4.35 million loan to support the expansion of the Hospital Metropolitano – the only quality-accredited hospital in Nicaragua, one of the few in Central America¹⁶ – which included the development of the first pediatric hospitalization unit, and the construction of specialized clinics for neuroscience, diabetes, and hemodialysis. The hospital expanded its Preventive Health Care programs through the construction of an auditorium for seminars and organization of events on various relevant health topics for the benefit of the local community. The expansion of the hospital’s operations will have a strong developmental impact in increasing access to high quality health care, including for low-income segments of the population, by providing discounted services to public sector patients and serving as a center of excellence for the country and the region with established benchmarks of clinical and patient care.

14. Sustainable access to water and sanitation services was improved for rural and indigenous populations. During the CPS period, WBG efforts focused on building Water Supply and Sanitation (WSS) infrastructure and improving the WSS sustainability chain through institutional strengthening at the central, municipal and community levels, in part through the development of a Broad Sectoral Approach for the Rural Water and Sanitation Sector. The WBG also supported the development of a sector-wide Implementation Strategy for Rural Water and Sanitation Services to consolidate best practices and provide a systematic approach to align donor financing for sustainable rural WSS investments nationwide. Additionally, a Rural Water and Sanitation Information System was developed and implemented to monitor service coverage in rural communities, quality of water and sanitation services, and the effectiveness of available technical assistance to improve resource allocation and targeting of future interventions for over 7,000 rural communities. Municipal Water and Sanitation Committees were established in most supported communities, which received training and equipment to support the implementation of WSS projects in their communities. These Committees had a significant participation of women in decision-making positions: nearly 70 percent in 2015, compared to 38 percent in 2008). As a result, between 2008 and 2017, sustainable access to water supply has been provided to over 69,000 additional people (surpassing the target of 45,000), and sanitation services to over 44,000, in rural and indigenous regions. Additionally, as part of its focus on sustainability in the approach to rural WSS, WBG is supporting the design of climate-resilient rural water supply systems that are expected to be piloted in 2018.

15. MIGA supported accessible and affordable sanitation, which is critical to the health and well-being of the population. MIGA provided a guarantee of US\$11 million, covering an equity investment in

¹⁶ The accreditation was carried out by the international arm of the United States’ Joint Commission on Accreditation of Health Care Organizations.

Industria Cerámica Centroamericana S.A., as well as a trademark license. The investment is contributing to greater availability of high quality sanitary ware that have been adapted to the country context, particularly for rural areas; and generated 218 jobs.

16. Progress has been made in ensuring a stronger results-based public financial management system.

Through the Nicaragua Public Financial Management Modernization Project (P111795), the WBG is supporting the government's efforts to enhance efficiency and transparency in public financial management; particularly, through implementation of a multi-annual medium term results-based budgeting framework in all 60 institutions (including the Central Administration and Decentralized Agencies). Improvement in this regard is reflected in Nicaragua's latest Public Expenditure and Financial Accountability (PEFA) Assessment (2015), reaching a B+ rating for Indicator #12 (multi-year perspective in fiscal planning, expenditure policy and budgeting), up from C in 2010; and sustaining this improvement through to 2017. Additionally, the WBG has supported the development of an Integrated Administrative and Financial Management System which will enable government to improve the formulation of its public policies and programs and increase the efficiency and effectiveness of resource allocation. As of December 2017, all subsystems (with the exception of the payroll subsystem) have been approved by the Ministry of Finance after quality-control testing and assessed to ensure compliance with international standards; the system will become operationalized in all Central Government Institutions in January 2018. The National Development Information Institute (*Instituto Nacional de Información de Desarrollo*) has also been strengthened with technological infrastructure and training for statistical data collection and analysis to carry out the national census. As of July 2017, 37 percent of the national territory had been updated with multi-purpose cartography (satellite images), and 63 percent of households have been covered by the census.

17. However, despite strong results in the CPS indicators and milestones, measurement of the quality of the basic services was challenging for a number of reasons.

First, WBG engagement over the CPS period not only prioritized improving access to and quality of basic services, but also emphasized the importance of achieving these goals by building on existing government systems. With respect to measuring quality, this approach necessitated the use of incremental steps to build quality along a continuum. As a starting point, ensuring the availability of quality inputs is a precondition for quality in sectors like education, health, and water and sanitation. The CPS was successful in both delivering and measuring the provision of such inputs (for example, milestones related to provision of textbooks, equipping schools, and monitoring maternal mortality). Similarly, improving the quality of education curriculums and the qualifications of teachers or health practices and the qualifications of nurses and doctors are also a precondition for better outcomes. Again, the CPS was also successful in improving processes and increasing the quality of service providers (for example, milestones related to rollout of an early childhood development program, certification of teachers, and training of health staff). However, while these important building blocks for quality basic services were captured in the indicators and milestones of the CPS, outcome measures of quality were weak or, in some cases, did not exist in the results framework to support the Pillar I objective. As noted above, WBG engagement in Nicaragua prioritized improving national systems; in the case of the education sector, CPS milestones and indicators were based on the available data and capacity at the time of design. However, WBG teams continued to work to build capacity and data availability throughout the CPS period, and look forward to the availability of more outcome-oriented measures of quality in the future as a result of efforts during the CPS period. For example, under the Second Support to the Education Sector Project (P126357), the WBG supported the design and implementation of annual standardized tests for primary education students to collect data on education quality and learning outcomes. Similarly, the Alliance for Quality Education Project (P161029) is currently building on these efforts by focusing on improving teacher practices through the

use of pedagogical advisors based on classroom observation to assess teacher practices, provide feedback, and develop teacher professional development plans. Therefore, while this pillar would have been rated as “Satisfactory” based on the indicators in the Results Framework at the PLR stage, it is assessed as “Moderately Satisfactory” based on slight design weaknesses.

18. Nevertheless, WBG during this and previous CPS periods has supported Nicaragua’s efforts to continue the progression along the continuum of measurable quality in basic services, including through improvements in data collection and analysis. For example, in the education sector, the Second Support to the Education Sector Project (P126357) supported the design and implementation of annual standardized tests for primary education students to collect data on education quality and learning outcomes, with the broader aim of making better use of information to improve teacher practices in the classroom. Similarly, the Alliance for Quality Education Project (P161029) is currently building on these efforts by focusing on improving teacher practices through the use of pedagogical advisors based on classroom observation to assess teacher practices, provide feedback, and develop professional development plans for teachers. In the health sector, the Strengthening the Public Health Care System Project (P152136) helped develop and put in place a nationwide monitoring system for maternal mortality to track every pregnant woman and report on post-partum status.

Pillar II. Increase Competitiveness and Productivity

19. This pillar is rated as Satisfactory. Pillar II sought to support the expansion of rural infrastructure, increase renewable energy production and agricultural productivity, and improve the investment climate and access to finance among Micro, Small and Medium Enterprises (MSMEs). Six of the seven expected outcomes were achieved (five surpassing indicator targets) and one was mostly achieved. Notably, significant development results were achieved in improving Nicaragua’s road, telecommunications and renewable energy infrastructure, as well as in improving the business climate and access to finance.

20. Roads and telecommunication infrastructure were strengthened in target areas, particularly benefiting the rural population. WBG support through the Rural Roads Infrastructure Improvement Project (P123447) has expanded road connectivity for Nicaragua’s rural and indigenous areas, and has yielded positive externalities in short-term employment generation through its community-based labor Module for *Adoquines*.¹⁷ To date, 526 km of rural roads have been built (surpassing the 510 km target), benefitting over 1 million people living in rural areas through increased access to all-season roads. In addition, opportunities for short-term employment were created for over 11,000 people from target areas, of whom 20 percent have been women. A National Rural Road Infrastructure Improvement Program was also developed with support from WBG, utilizing socio-economic and poverty data to prioritize road infrastructure works. Through the Rural Telecom Project (P089989), the WBG supported greater access to telephone and internet services for rural and indigenous populations through the installation of telecom towers and satellite stations in rural areas and the Caribbean coast. As a result, the number of fixed lines and cellular phones in targeted areas increased from 37.8 per 100 people in 2008 to 117.3 in 2015, and subscriptions to internet services increased from 2.8 to 16.5 per 100 people during the same period. The monthly retail price for internet service also decreased from US\$18 to US\$11.99 per Mbit between 2008 and 2015.

¹⁷ *Adoquines* are cobblestones, concrete-like paving blocks that are pre-cast in an offsite factory location, with raw materials such as cement, fine aggregates, coarse aggregates, filler, and water.

21. The WBG supported the government's strategy to increase private investment in renewable energy. IFC continued its US\$50.5 million investment in the San Jacinto Geothermal Power Plant, initiated under the previous CPS. The power plant has been operational since February 2013, and has a renewable energy generation capacity of 62 megawatts (MW). MIGA provided guarantees in the amount of US\$16.3 million for the Eolo wind farm, which has been operational since December 2012 and has about 44 MW of renewable energy generation capacity. Currently, it is estimated that Eolo reduces the country's carbon footprint by approximately 120,000 tons of carbon dioxide per year. Altogether, additional capacity in renewable energy reached 106 MW, surpassing the 100 MW target. During the period, the WBG provided technical assistance on energy metrics related to geo-thermal energy, helping Nicaragua to mitigate risks and encourage future private sector investment in this promising renewable energy sector.

22. Productivity of the agricultural sector increased by enhancing agricultural technology innovation and adoption. WBG support in this sector was essential for the creation of the Productive Rural Development Program, a sector-wide platform to coordinate activities and leverage funding between donors and sector implementing agencies, with the objective of increasing overall agricultural productivity. In line with Productive Rural Development Program strategies, the Second Agricultural Technology Project (P087046) focused on strengthening institutional capacities of the National Institute of Agricultural Technology (*Instituto Nicaragüense de Tecnología Agropecuaria*), the Ministry of Agriculture and Livestock (*Ministerio Agropecuario*), the National Institute for Forestry (*Instituto Nacional Forestal*), the Foundation for the Technological Development of Agriculture and Forestry of Nicaragua (*La Fundación para el Desarrollo Tecnológico Agropecuario y Forestal de Nicaragua*), the Bank for the Promotion of Production (*Banco de Fomento a la Producción*), and the National Technological Institute (*Instituto Nacional Tecnológico*) to accelerate the generation and transfer of relevant agricultural technology, formulate sector development strategies, and provide technical assistance, market development and funding. This support benefited over 50,000 farmers who participated in agricultural and forestry extension services, among whom over 33,000 adopted at least two new production and processing technologies, surpassing the target. In addition, 3,204 producers were trained in food processing and/or business administration and marketing, and over 1,400 producers from 31 seed grower organizations were trained in agro-economic techniques to produce certified basic grain seeds. As a result, crop production almost tripled between 2005 and 2014, from 1,800 metric tons (MT) to 4,728 MT (surpassing the 4,000 MT target); and average annual seed availability increased from 200 MT per year in 2005 to 369 MT by 2014. Overall, from 2005 to 2013, productivity indices among participating farmers, of which about 25 percent were women, increased by 16 percent on average. In strengthening the capacities of the public sector to deliver services, an important element was the creation of a Planning and Monitoring System which allowed the government to improve its planning, monitoring, and impact evaluation across the sector. The WBG also supported the development of a National Genetic Seed Center, the strengthening of three phytosanitary diagnostic laboratories, and a new credit line for production, processing, and marketing of certified seed.

23. IFC and MIGA have also contributed to increasing agricultural productivity. With an investment of US\$15 million, IFC is supporting Montelimar to increase its annual production of sugar from 33 to 67 kilotons, and improve irrigation and other infrastructure in the field. IFC and the Global Agricultural and Food Security Program (GAFSP), together with the Inter-American Development Bank, Ecom, *Exportadora Atlántica*, and Starbucks provided a US\$30 million package of financing to farmers for the restoration of over 5,000 hectares of coffee plantations affected by the coffee rust disease in Nicaragua. The investment is expected to improve climate change resilience by deploying a scalable model of climate-smart agriculture. MIGA provided guarantees in the amount of US\$49 million to EcoPlanet Bamboo; the project

aimed to develop commercial-scale bamboo plantations, to supply a sustainable alternative for timber-dependent companies that currently rely on the harvesting of natural forests.

24. Significant progress was achieved in improving Nicaragua’s business climate, to enhance competitiveness and access to finance for MSMEs. WBG efforts to support improvements in the business climate focused on improving the regulatory framework, helping government to streamline bureaucratic processes to facilitate business. These actions included: (i) a full upgrade and streamlined procedures for the Investment Promotion Agency and the Commercial Registry, (ii) revision of the over 100-year-old Commercial Code, (iii) strengthening of the National Metrology Laboratory through new equipment, technical capacities, and mechanisms to improve standardization services of products, and enhance tradability of goods and services, and (iv) increased capacities within the Ministry of Development, Industry and Commerce (*Ministerio de Fomento, Industria y Comercio*) and the Ministry of Economy linked to Family, Community, Cooperatives and Associations (*Ministerio de Economía Familiar, Comunitaria, Cooperativa y Asociativa*) to manage and design strategies for the MSME sector. As a result, the time needed to start a business improved significantly between 2009 and 2017, from 39 days to 12 days. Processing times to obtain health and food permits also decreased from six months to 2.5 months, and from two weeks to 10 days, respectively, due to the support provided to the Ministry of Health (*Ministerio de Salud*) to automate its permit system. The WBG also supported greater competitiveness among Nicaraguan MSMEs by addressing one of their main internal constraints: access to finance and lack of technical skills. Matching grants amounting to US\$5.5 million were provided to more than 800 MSMEs in five strategic productive sectors: food agribusiness, wooden furniture, clothing textiles, leather goods, and artisan products. These grants were oriented toward the acquisition of equipment and technical assistance to improve skills and quality of products. As a result, over 600 MSMEs that benefited from these grants increased their sales by 165 percent on average; close to 55 percent of these firms were led by women.

25. IFC support for greater access to finance among MSMEs has increased six-fold between 2012 and 2017. During that time, IFC committed US\$461.8 million in the financial sector to increase credit lines in the trade and housing sectors, and expand lending to micro, small and medium enterprises (MSMEs) and agri-business. The number of MSMEs reached with financial services increased from 62,152 in 2012 to 85,790 by July 2017, surpassing the target.

26. Government efforts to improve the business climate and expand economic opportunities for its population have been complemented with the strengthening of property rights, improved cadastral registry services, and land regularization. With support through WBG technical assistance to Nicaragua, more than 81,000 families have benefited through the issuance of legal property documents, and over 59,000 new land titles have been issued (almost doubling the CPS milestone target), of which 52 percent have been to women individually or couples jointly. The Integrated Cadaster-Registry Information System (SIICAR) was implemented successfully in the department of Chinandega, and a new version (SIICAR 2.0) is currently under development and will be deployed in the departments of Managua and Esteli.

27. The WBG has also contributed to the enhancement of Nicaragua’s resilience to natural hazards, such as hurricanes, earthquakes, volcanic eruptions, floods and landslides. WBG supported Nicaragua in becoming the first Central American country to join the Caribbean Catastrophe Risk Insurance Facility Segregated Portfolio Company. Additionally, the WBG supported the Municipality of Managua in the preparation of a roadmap to address urban risk in a holistic way and the National Institute of Territorial Studies (*Instituto Nicaragüense de Estudios Territoriales*) in the preparation of a modernization plan to

improve the quality of weather, climate and hydrology information to inform public policies and investments.

WBG Performance

28. Overall, the WBG Performance during the FY13-FY17 CPS is rated Good. The WBG has been a long-standing partner of Nicaragua, as evidenced in the design and implementation of the CPS, which covered many areas of support and has helped achieve critical development outcomes. The CPS design was aligned to the priorities laid out in the government's National Plan for Human Development (2012-2016), and remained relevant throughout the period, responding strategically and with flexibility to the country's increased demand for development financing and achieving significant results. The WBG played an important role in supporting the government to strengthen strategic sector approaches, foster donor coordination and leverage additional resources, as in the education, social protection and agriculture sectors. IFC and MIGA increased their engagement with the private sector, focusing on renewable energy, agribusiness, the financial sector, manufacturing and health services. The WBG's performance during the reporting period is assessed along two dimensions: (i) the design and relevance of the CPS; and (ii) implementation of the CPS program.

Design and Relevance

29. The overall CPS strategic framework was relevant to Nicaragua's development needs and the CPS design leveraged the comparative advantages and experience of the WBG, utilizing a diversity of lending and technical instruments, to achieve strong results. The high level objectives of the CPS and the tools and approaches used to implement them were highly relevant to country needs, as evidenced by the consistency between the CPS (both at preparation and throughout implementation) and Nicaragua's National Development Goals. Similarly, the design of the CPS allowed the use of a number of WBG instruments (lending, technical assistance, knowledge) across WBG entities in a manner which was both complementary and innovative. While the high-level design of the CPS was strong, some aspects related to results measurement could have been strengthened. For example, output or outcome measures for service quality could have been integrated into the CPS Results Framework instead of relying heavily on input or process indicators and milestones. Nevertheless, both design quality and relevance were confirmed at the PLR stage, with the PLR maintaining the two pillars and making only minor adjustments to the results framework, reflecting the realism of the original CPS. The program proved to be sufficiently flexible to respond to country needs, responding with additional resources when needed, addressing knowledge gaps, and convening other donors and the private sector. With the successful implementation of the country program, the dialogue between the government and WBG is now shifting toward more complex issues and challenges in development, highlighting cross-cutting elements, such as sustainability, climate change, gender, governance, jobs and private sector development.

30. Advisory Services and Analytics (ASA) informed the overall WBG program and were key to fostering enhanced policy dialogue with government and other development partners. WBG knowledge products and advisory services have helped the government to develop national sector programs or approaches, and to strengthen relevant public agencies across nearly all sectors in which the WBG was engaged. For example: the study *"Agriculture in Nicaragua: Performance, Challenges, and Options"* (2015) helped government and donors evaluate more strategic approaches to sector development, as well as the focus in priority areas such as the Dry Corridor; help from WB in strengthening the "unified Model of Attention" within the flagship *Programa Amor*, has been key to fostering government coordination and donor alignment in social protection; and WB support in preparing the Education Sector Plan helped to bolster

country leadership and donor coordination in the sector. This support allowed the WBG to play an important convening role in the policy dialogue, as well as to leverage additional funding from other donors, such as the EU, the GPE, the Global Environment Facility (GEF) and GAFSP. ASA during the CPS period also fostered the deepening of WBG engagement in new sectors (energy, water resource management, forestry, among others), which will be important in informing the dialogue for the future WBG country program, including how to maximize financing for development.

Program Implementation

31. During the CPS period, the WBG delivered a dynamic and bundled package of support to Nicaragua. IDA delivered a total package of US\$527.82 million, including US\$34.5 million in Additional IDA (beyond the original country IDA allocation), US\$50 million through the IDA Scale Up Facility, US\$23.6 million in Regional IDA, and leveraged US\$87.92 million through financing from other donors (see Annex 5 for details). Complementing the IDA portfolio during the CPS period, IFC committed US\$529.52 million, focusing on renewable energy, health services, and the financial sector (increasing credit lines in trade, housing, SMEs and agribusiness). MIGA also provided guarantees worth over US\$88.9 million, in agribusiness, infrastructure, manufacturing and the financial sector.

32. Portfolio implementation overall was satisfactory, and challenges were addressed appropriately. Nicaragua represented one of the highest disbursing country programs in LAC (see Annex 4 for details). Quality supervision and communication between the government and WBG teams in addressing bottlenecks and critical issues as they arose were key to ensuring quality implementation; this included joint comprehensive portfolio reviews twice a year, entailing detailed discussions of each operation in terms of disbursement rates, progress toward development objectives, implementation plans and fiduciary risks. The WBG was responsive in providing additional IDA support when it became evident that the country would require and could absorb it; and leveraging, knowledge and advisory services complemented financing to foster policy dialogue and enhance results. There were no major safeguard issues, and fiduciary issues that arose were handled effectively, including the cancellation of the Hurricane Felix Emergency Recovery project (P108974), which provided lessons regarding the implementation of emergency operations in contexts with limited implementation capacity and market development. With overall successful portfolio implementation, a shift started at the end of the CPS period toward more complex operations, such as with the use of Disbursement-Linked Indicators in the Alliance for Education Quality Project (P161029).

33. The WBG successfully partnered with other development institutions to strengthen program impact. During the period, the WBG played a convening role among donors to support country efforts in key sectors, such as education, social protection and agriculture; and was able to leverage funding from other donors (EU, GPE, GEF and GAFSP). The WBG also worked jointly with IDB to strengthen Nicaragua's capacity to engage in Public-Private Partnerships which will help the country maximize financing for development.

CPS Alignment with Corporate Goals

34. The WBG program was aligned with the Corporate Goals of eradicating extreme poverty and increasing shared prosperity. The CPS program focused on supporting Nicaragua's efforts to improve access to quality basic services in health, education, water & sanitation, targeting poor sectors of the population in priority areas of the country; and improving infrastructure, access to energy, communications, agricultural practices and access to finance to foster competitiveness and productivity,

promoting shared prosperity. Some actions focused on strengthening capacity among local indigenous peoples, particularly in the Autonomous Regions, as well as enhancing services in a culturally appropriate manner, such as in the case of the Social Protection project. The program was successful in enhancing the agency of women in development; not only through employment, such as in the *Adoquines* program within the Rural Roads project, but also in terms of self-esteem and decision-making. WBG support was key to developing Nicaragua's "unified Model of Attention," which was essential to the implementation of "Children at Risk" Program within the government's flagship *Programa Amor*, thus helping to overcome previous fragmentation of information, efforts and donor support in social protection in all of Nicaragua's 153 municipalities.

Key Lessons and Recommendations

35. The WBG deepened country engagement across sectors in support of development goals, utilizing a broad variety of tools to strengthen capacity and readiness in critical areas. Responding to the lessons from the previous CLR, the WBG employed a wide variety of resources in country engagement, including technical assistance and advisory services to foster policy dialogue and learning, deepening its role as a trusted partner in development, leading to the preparation of investment operations (such as in agriculture, water and sanitation), and facilitating conditions to encourage private sector investment (as in the case of the geothermal energy). Building upon the experience to date, there is a unique opportunity to scale up successful interventions, engage in approaches that may involve increased design complexity to address development challenges, continue to build capacity across institutions, and mainstream cross-cutting themes for enhanced country outcomes.

36. The WBG can offer important added value through convening power and leveraging of resources. For example, the Rural Roads program leveraged more than US\$300 million of financing, and the WBG mobilized nearly 20 percent of its IDA program through donor leveraging during the CPS period. The WBG, particularly in countries where the sector relies on donor financing, can catalyze transformational change when it maintains sector best practices as top priorities, laying the groundwork for institutional development and enhanced results (as in the case of education, agriculture, social protection, water and sanitation). A future WBG program should consider prioritizing areas in which it can continue to add value through convening services and leveraging, with a focus on exploring means to maximize financing for development.

37. Strong commitment by the Nicaraguan authorities, with effective communication, plus flexibility and responsiveness by the WBG, allowed for successful program implementation and results. As detailed in Annex 4, the Ministry of Finance has been engaged in monitoring implementation of operations and the overall country program, jointly with WBG and sector institutions, allowing for bottlenecks or other challenges to be addressed effectively. This has been essential to ensuring satisfactory program performance and development outcomes.

38. Focusing on women generates results. Promoting women's participation can have a transformative impact in eradicating extreme poverty and increasing shared prosperity. For example, through the Rural Roads project, the WBG supported the participation of women in key roles in the Community Modules for *Adoquines*, such as presidents, works supervisors, treasurers, traffic controllers, and pavement joint-fillers. Besides the short-term employment opportunities that were created for women, WBG-financed interventions contributed to increased income, technology transfer, skills building and their agency enhancement to make effective choices and transform those choices into desired outcomes. Women participants reported increased self-esteem, self-confidence, decision-making capacity, leadership and

assertiveness as a result of acquiring new skills and know-how and participating in public spheres of community engagement.¹⁸

39. While WBG engagement with the Autonomous Regions should focus on building institutional capacity, implementation arrangements for operations in these areas should be based on a realistic assessment of capacities and local conditions. Building on the lessons from the previous CLR, and as detailed in the Implementation Completion and Results Report (ICR) of the Hurricane Felix Emergency Recovery project and the corresponding review of the Independent Evaluation Group (IEG), implementation arrangements should respond to development objectives while considering local capacity and market conditions, rather than be used to advance on more structural policy or institutional objectives (such as building institutional capacity in the Autonomous Regions, for example), in order to ensure satisfactory implementation. Deviation from this focus can be overly ambitious and lead to serious obstacles in implementation.

40. Access to and use of quality data for decision-making continues to be a challenge, and should be prioritized as a cross-cutting theme in the upcoming CPF. This issue was identified in the previous CLR (2012), and although there has been progress, challenges remain, hampering evaluation, limiting the potential for more effective decision-making, more efficient resource allocation, thus affecting development results. For example, the Ministry of Education made progress in its Management and Information System; however, it has yet to be consolidated within the institution, as well as systematically published, disseminated and used for decision-making. Across sectors, statistical information is undermined by weaknesses in overall demographic data available, which is provided by National Development Information Institute through forecasts based on the last population census of 2005. In education, this has led to quality inconsistencies in the calculation of key indicators, such as enrollment and completion rates for primary and secondary education. Furthermore, the lack of official population forecasts disaggregated by municipality and gender, starting in 2015, has hindered the production of reliable data to monitor education outcomes in the CPS.

¹⁸ Based on the Impact Evaluation of Rural Roads Project in Nicaragua. Impacts on Welfare and Education, September 2013 and a qualitative study focused on effects of women's participation in roads works on their agency (Casabonne, et al 2015).

Annex 9.1 : Nicaragua CPS CLR Results Framework FY13-17
(Summary Table)

Country Development Goals	CPS Outcomes	CPS Outcome Rating	Overall Pillar Rating
Pillar I. Improve Access to Quality Basic Services			
More educated population	1. Increase in the completion rate of primary education (1 st to 6 th grade) in targeted municipalities	Mostly Achieved	Moderately Satisfactory
	2. Increase in Grade 9 (last year of lower secondary education) completion rate in targeted municipalities	Mostly Achieved	
Healthier population	3. Increase in percentage of institutional deliveries in targeted municipal health networks	Achieved & Surpassed	
	4. Increase in percentage of post-partum women receiving postnatal care	Achieved & Surpassed	
	5. Increase in percentage of children less than one year old immunized with the Pentavalent vaccine in targeted municipal health networks	Achieved & Surpassed	
	6. Increase in sustainable access to water supply and sanitation services in rural, indigenous	Mostly Achieved	
More evidence based spending decisions	7. Multi-year sectoral strategy informs the budget, as measured by an improvement in the Public Expenditure and Financial Accountability Indicator #12	Achieved	
Pillar II. Increase Competitiveness and Productivity			
Improve infrastructure	8. Increase in the number of rural people with access to an all-season road	Achieved & Surpassed	Satisfactory
	9. Increase in access to telephone services (fixed line and cellular phones per 100 people) and to internet services (subscribers per 100 people) in rural areas	Achieved	
	10. Additional 100 MW of renewable energy in the system	Achieved & Surpassed	
Increase agricultural productivity	11. Increase in crop production by farmers benefitting from technical assistance programs of the Nicaraguan Institute of Agricultural Technology	Achieved & Surpassed	
Improve investment climate and access to finance	12. Increase in MSME sales by 150%	Achieved & Surpassed	
	13. Increase in the number of people, microenterprises, and SMEs reached with financial services	Achieved & Surpassed	
	14. Reduction in the number of days to a register a new business	Mostly Achieved	

Annex 9.2: Nicaragua CPS CLR Results Framework FY13-17

Country Development Goals	CPS Outcome Indicators	CPS Milestones	WBG Activities Contributing to Outcomes																												
Pillar I. Improve Access to Quality Basic Services																															
Rating: Satisfactory																															
<p>More educated population</p>	<p>1. Mostly Achieved (2015): Increase in the completion rate of primary education (1st to 6th grade) in targeted municipalities:</p> <table border="1" style="width: 100%; border-collapse: collapse; margin: 10px 0;"> <thead> <tr> <th></th> <th>Baseline (2010)</th> <th>PLR (2014)</th> <th>Target (2017)</th> <th>Actual (2015)</th> </tr> </thead> <tbody> <tr> <td>Total</td> <td>56.7%</td> <td>67.5%</td> <td>75%</td> <td>71.4%</td> </tr> <tr> <td>Girls</td> <td>58%</td> <td>69%</td> <td>77%</td> <td>n/a</td> </tr> <tr> <td>Boys</td> <td>54%</td> <td>66%</td> <td>74%</td> <td>n/a</td> </tr> </tbody> </table> <p><i>In 2015 the Ministry of Education made a change in their data collection strategy, focusing on the monitoring of “survival rate” and “retention rate,” which does not directly correspond to this CPS outcome indicator. At the time of the PLR, this situation was not foreseen. Thus, the most recent and reliable data for primary education completion rate is from 2015, reaching over half of the Target; however,</i></p>		Baseline (2010)	PLR (2014)	Target (2017)	Actual (2015)	Total	56.7%	67.5%	75%	71.4%	Girls	58%	69%	77%	n/a	Boys	54%	66%	74%	n/a	<p>1. Achieved (2013): Early Childhood Development Program rolled out nationwide.</p> <p><i>The Program was rolled out nation-wide in 2013 and included a new unified preschool curriculum that is currently being implemented. Preschool teachers were certified based on this new curriculum.</i></p> <p>2. Mostly Achieved (2017): System to evaluate Early Childhood Development outcomes in place and Operational.</p> <p><i>The evaluation system has been developed and piloted in 149 schools nationwide. Data from the pilot that was carried out in 2016 is currently being analyzed with WBG technical assistance, and will be finalized in 2018. It is expected that the Ministry of Education (Ministerio de Educacción) will start implementing the system more broadly in 2018. This milestone has been mostly achieved, because the pilot has allowed authorities to implement the system more broadly.</i></p> <p>3. Achieved and Surpassed (2017): Textbooks and workbooks for primary school students distributed:</p> <table border="1" style="width: 100%; border-collapse: collapse; margin: 10px 0;"> <thead> <tr> <th>Baseline (2010)</th> <th>PLR (2015)</th> <th>Target (2015)</th> <th>Actual (2017)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">0</td> <td style="text-align: center;">1,300,000</td> <td style="text-align: center;">1,300,000</td> <td style="text-align: center;">1,355,127</td> </tr> </tbody> </table> <p><i>As of July 2017, over 95 percent of total primary school students in the targeted 40 municipalities have benefited from the distributed</i></p>	Baseline (2010)	PLR (2015)	Target (2015)	Actual (2017)	0	1,300,000	1,300,000	1,355,127	<p>Financing Ongoing:</p> <ul style="list-style-type: none"> • Second Education Sector Strategy Project (P126357) • Education Sector Strategy Support Project (P133557) • Alliance for Education Quality Project (P161029) <p>Financing Closed:</p> <ul style="list-style-type: none"> • Social Protection Project (P121779)
	Baseline (2010)	PLR (2014)	Target (2017)	Actual (2015)																											
Total	56.7%	67.5%	75%	71.4%																											
Girls	58%	69%	77%	n/a																											
Boys	54%	66%	74%	n/a																											
Baseline (2010)	PLR (2015)	Target (2015)	Actual (2017)																												
0	1,300,000	1,300,000	1,355,127																												

the data provided by government is not disaggregated by gender.

2. **Mostly Achieved (2017): Increase in Grade 9 (last year of lower secondary education) completion rate in targeted municipalities:**

	Baseline (2010)	PLR (2014)	Target (2017)	Actual (2015)
Total	44.5%	53%	57%	n/a
Girls	45%	54%	57%	n/a
Boys	43%	52%	57%	n/a

Due to a change in the data collection methodology implemented by the Ministry of Education nationwide in 2015, disaggregated data by gender for this indicator is under review to ensure validity. At present, only absolute numbers measuring high school registration are available for the targeted municipalities: during the period, there was an increase in this regard of 9.26%, from 59,019 students in 2014 to 64,483 in 2017. Nation-wide, the 9th grade completion rate from a baseline of 44.5% in 2010, to 74.6% in 2016 (see Lessons Learned for details on challenges with the data). Taking into account the complementary data, and considering that at the time of the PLR over half of the Target was reached, this Outcome is Mostly Achieved.

textbooks, which include math, language and literature, reading, as well as bilingual textbooks.

4. **Mostly Achieved (2017):** Primary schools in targeted municipalities equipped with furniture:

Baseline (2010)	PLR (2014)	Target (2016)	Actual (2017)
63%	73%	83%	82.4%

As of July 2017, a total of 2,393 primary schools have benefited from the distribution of furniture (out of a total of 2,904 primary schools in the selected municipalities). This equipment includes desks for teachers, students, whiteboards and bookshelves/cabinets, among other pieces.

5. **Achieved and Surpassed (2017):** Core schools (1st to 9th grade) with facilities for lower secondary education improved in targeted areas:

Baseline (2010)	PLR (2015)	Target (2017)	Actual (2017)
0	11	30	58

A total of 58 core lower secondary schools have had improvements in infrastructure (i.e., libraries and information communication technology), equipment, furniture, learning materials, and improved water and sanitation services. Also, 17 additional schools are currently under construction.

6. **Achieved and Surpassed (2017):** Certified teachers for preschool, primary and secondary education increased:

		<table border="1" data-bbox="911 190 1644 415"> <thead> <tr> <th></th> <th>Baseline (2010)</th> <th>PLR (2014)</th> <th>Target (2016)</th> <th>Actual (2017)</th> </tr> </thead> <tbody> <tr> <td>Preschool</td> <td>0</td> <td>1,260</td> <td>1,600</td> <td>2,321</td> </tr> <tr> <td>Primary</td> <td>0</td> <td>750</td> <td>1,000</td> <td>1,568</td> </tr> <tr> <td>Secondary</td> <td>0</td> <td>0</td> <td>700</td> <td>969</td> </tr> <tr> <td>Total</td> <td>0</td> <td>2,010</td> <td>3,300</td> <td>4,858</td> </tr> </tbody> </table> <p data-bbox="846 456 1696 695"><i>Primary school teachers from selected municipalities were trained in a multi-grade certification, as part of the accelerated primary school program piloted by the Ministry of Education. Secondary education teachers carried out a university-based certification program focusing on secondary curriculum, and preschool teachers carried out a certification program based on the new curriculum developed as part of the Early Childhood Development Program.</i></p> <p data-bbox="846 740 1644 873">7. Mostly Achieved (2016): 20,000 families receive grants (US\$20 per month) based on compliance with attending the community workshops and agreeing to their individual Family Improvement Plans.</p> <p data-bbox="846 919 1696 1089"><i>At the close of the cash transfer program in December 2016, the project reached 17,992 families who completed the program with the provision of promotion services, family education workshops, and family grants as part of the Family and Community-based Social Welfare Model. Overall the program incorporated 18,916 families throughout its lifetime.</i></p>		Baseline (2010)	PLR (2014)	Target (2016)	Actual (2017)	Preschool	0	1,260	1,600	2,321	Primary	0	750	1,000	1,568	Secondary	0	0	700	969	Total	0	2,010	3,300	4,858	
	Baseline (2010)	PLR (2014)	Target (2016)	Actual (2017)																								
Preschool	0	1,260	1,600	2,321																								
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Secondary	0	0	700	969																								
Total	0	2,010	3,300	4,858																								
Healthier population	3. Achieved and Surpassed (2016): Increase in percentage of institutional deliveries in targeted municipal health networks:	8. Achieved (2013): Capitation payments linked to results of Community and Family Health Model. <i>The government upgraded the capitation mechanism as a national priority and scaled up the system to all municipalities in the country with the aim to address the health needs of the poorest and neediest groups, from a perspective of service delivery based on results. This model proves useful to finance the gap of resources needed to cover health services</i>	Financing Ongoing: <ul style="list-style-type: none"> • Sustainable Rural Water Supply and Sanitation Sector (P147006) • Adaptation of Water Supplies to Climate Change 																									

Baseline (2011)	PLR (2015)	Target (2015)	Actual (2016)
72%	87%	86%	93%

4. **Achieved and Surpassed (2015):** Increase in percentage of post-partum women receiving postnatal care:

Baseline (2011)	PLR (2015)	Target (2015)	Actual (2016)
32%	58%	55%	65%

5. **Achieved and Surpassed (2015):** Increase in percentage of children less than one year old immunized with the Pentavalent vaccine in targeted municipal health networks:

Baseline (2011)	PLR (2015)	Target (2014)	Actual (2017)
88%	98%	98%	100%

6. **Mostly Achieved (2017):** Increase in sustainable access to water supply and sanitation services in rural, indigenous:

	Base-line (2008)	PLR (2015)	Target (2017)	Actual (2017)
Water	0	37,000	45,000	69,308
Sanitation	0	40,000	47,000	44,323

and allows for a better provision under municipal management. As of December 2016, this model had directly benefited nearly 3 million people.

9. **Achieved (2013):** Robust monitoring system for maternal mortality in place.

A robust nationwide monitoring system for maternal mortality has been in place since 2013, tracking every pregnant woman and reporting on post-partum status.

10. **Achieved (2014):** National Adolescent Sexual Reproductive Health Strategy adopted for reducing teen pregnancy and risk behaviors.

The National Strategy for Integral Health and Development of Adolescents (Estrategia Nacional de Salud y Desarrollo Integral para Adolescentes) follows an integral or biopsychosocial approach aimed toward adolescents, their families, and communities, and focuses on improving the skills of health personnel while strengthening strategic partnerships with institutional stakeholders in territories to coordinate multisector and multidisciplinary actions (with emphasis on sexual reproductive health, such as teen pregnancy prevention and risky behaviors) with active leadership on the part of adolescents and youth.

11. **Achieved and Surpassed (2016):** Health staff and teachers trained on adolescent health:

	Baseline (2013)	PLR (2015)	Target (2016)	Actual (2016)
Health Staff	0	6,600	6,700	7,071
Teachers	0	3,000	3,200	8,459
Total	0	9,600	9,900	15,530

Global Environment Facility (P127088)

- Strengthening the Public Health Care System Project (P152136)
- MIGA Guarantee in Industria C eramica Centroam rica

Financing Closed:

- Improving Community and Family Health Care Services Project (P106870)
- Greater Managua Water and Sanitation Project (P110092)
- Rural Water Supply and Sanitation (P106283)

Knowledge:

- Vital Statistics (Trust Fund)
- South-South on Results Based Financing Nicaragua-Argentina exchange
- Strengthening Rural WSS Sector

12. **Achieved and Surpassed (2017):** Health personnel trained on quality of care increased in 66 targeted municipalities:

Baseline (2015)	PLR (2015)	Target (2017)	Actual (2017)
0	0	250	1,401

Government implemented the requirement of Municipal Quality Plans as mandatory for all 153 municipalities. Thus, the national training workshops have included health staff from all 153 municipalities.

13. **Achieved and Surpassed (2016):** Schools participating in the children fluoridation program increased.

Baseline (2015)	PLR (2015)	Target (2017)	Actual (2016)
0	0	2,500	6,916

All fluoridation program activities were initiated in June 2015, and the first cohort of 2,500 schools took part in the children fluoridation program in September 2016.

14. **Achieved (2013):** Rural WSS Strategy approved.

A sector-wide Implementation Strategy for Rural Water and Sanitation Services was approved, aiming to consolidate best practices and provide a systematic approach to align donor financing for sustainable rural WSS investments nationwide.

15. **Achieved (2012):** Rural Water and Sanitation Information System established and used to monitor WSS quality and sustainability.

The original Project design foresaw supporting a nation-wide information system focused on collecting basic information on rural WSS.

Institutional Policy and Planning
Capacity Technical Assistance (P132171)
• Monitoring Country Progress in Rural Water and Sanitation

		<p><i>The focus of the Rural Water and Sanitation Information Management System was not only coverage, but also sustainability and quality of service exceeded the expected reach of the system. The System was established in 2011, and during this CPS period has since been used to monitor the sustainability of the Municipal Water and Sanitation Units in more than 7,000 communities. The system is currently being updated to improve quality of information provided to better inform policy decisions.</i></p> <p>16. Achieved (2017): Pilot climate-resilient rural water supply systems designed.</p> <p><i>The pre-feasibility studies for the pilot climate-resilient rural water and sanitation services systems were completed as of August 2017.</i></p>									
<p>More evidence based spending decisions</p>	<p>7. Achieved: Multi-year sectoral strategy informs the budget, as measured by an improvement in the Public Expenditure and Financial Accountability Indicator # 12:</p> <table border="1" data-bbox="310 906 814 1019"> <thead> <tr> <th>Baseline (2010)</th> <th>PLR (2015)</th> <th>Target (2017)</th> <th>Actual (2015)</th> </tr> </thead> <tbody> <tr> <td>C</td> <td>B+</td> <td>B+</td> <td>B+</td> </tr> </tbody> </table> <p><i>The latest PEFA Assessment reporting progress on this indicator is from 2015. In 2017, the government continues to implement the results-based budget Framework with multi-annual and medium-term projections.</i></p>	Baseline (2010)	PLR (2015)	Target (2017)	Actual (2015)	C	B+	B+	B+	<p>17. Achieved (2013): The application of the multi-annual perspective Medium Term Budget Framework (<i>Marco Presupuestal de Mediano Plazo</i>) is mandatory for all government entities at the central government level.</p> <p><i>As reflected in the government 2017 Budget, and the website of the Ministry of Finance, all 60 institutions (Central Administration and Decentralized agencies) apply Medium Term Budget Framework and Results-based budgeting.</i></p> <p>18. Achieved (2015): Education Strategy for 2011-2015 fully costed.</p> <p><i>The costs of the Education Strategy were disaggregated by educational level (preschool, primary, and secondary), as well as by expense type (current and capital expenses). This process allowed the calculation of financial gaps (between available budget allocation and funding needs) to determine additional financing sources needed to leverage funds. Currently, the WB is supporting the development of the Education Sector Plan 2016-2020.</i></p>	<p>Financing Ongoing:</p> <ul style="list-style-type: none"> Public Financial Management Modernization Project (P111795) <p>Knowledge:</p> <ul style="list-style-type: none"> Social Expenditure and Institutional Review (P146907) Public Expenditure and Financial Accountability review (P146093)
Baseline (2010)	PLR (2015)	Target (2017)	Actual (2015)								
C	B+	B+	B+								

Pillar II. Increase Competitiveness and Productivity

Rating: Satisfactory

Improve infrastructure

8. Achieved and Surpassed (2017): Increase in the number of rural people with access to an all-season road:

Baseline (2011)	PLR (2015)	Target (2017)	Actual (2017)
945,000	989,162	1,019,000	1,077,108

9. Achieved (2015): Increase in access to telephone services (fixed line and cellular phones per 100 people) and to internet services (subscribers per 100 people) in rural areas:

	Baseline (2008)	PLR (2015)	Target (2015)	Actual (2015)
Phone	37.83	117	117	117.32
Internet	2.8	16.5	16.5	16.5

10. Achieved and Surpassed (2013): Additional 100 MW of renewable energy in the system:

Geothermal: San Jacinto plant was operating with capacity of 59 MW since December 2012; more recently operating with capacity of 62 MW (as of July 2017). This plant has been operating since 2012.

Wind power: EOLO plant operating since February 2013 with capacity of 44 MW.

19. Achieved and Surpassed (2017): Rural roads constructed:

Baseline (2015)	PLR (2014)	Target (2017)	Actual (2016)
0	420 km	510 km	526 km

20. Achieved (2016): National rural roads program designed with transparent road selection mechanisms.

A Road Infrastructure Improvement Program (Programa Integral de Caminos Productivos) was developed in 2016 based on a multi-criteria matrix that allows ranking all projects on a scale from 0 to 100. The criteria used for the score includes the assessment of strategic, social, economic, technical and environmental factors. The system provides a group list that can be filtered through a web-based portal and enables visualization of indicators and scores that can be used for prioritization.

21. Achieved and Surpassed (2017): Short-term employment created for the Modules for Adoquines (number of jobs):

	Baseline (2010)	PLR (2015)	Target (2017)	Actual (2017)
Combined	0	929	1,200	11,392
Female	0	300	400	2,320

Opportunities for short term employment have increased, reaching nearly 11,392 people employed by Community Modules for Adoquines, 20% of whom are women. These MCA promoted the participation of women in a number of areas. Not only were women recruited to act as presidents of some of the MCAs, but some were also employed as engineers, accountants/treasurers, traffic controllers, pavement fillers, and field workers. Additionally, as a response to the request from families headed

Financing Ongoing:

- Rural Roads Infrastructure Improvement Project (P123447)
- IFC Investment in San Jacinto plant
- MIGA Guarantee in Eolo Wind Farm
- Caribbean Regional Communications Infrastructure Program - CARCIP (P155235)
- Rural and Urban Access Improvement Project (P160359)

Financing Closed:

- Fourth Roads Rehabilitation and Maintenance Project (P083952)
- Rural Telecom Project (P089989)
- Hurricane Felix Emergency Recovery project (P108974)
- MIGA Guarantee in Ormat

		<p>by women, training courses for MCA activities were designed to recruit women and mitigate and counteract cultural resistance to women working in road construction and maintenance. Maintenance works have also been carried out by community associations to promote local employment.</p> <p>22. Achieved (2015): Telecom towers and satellite stations installed in rural and indigenous areas:</p> <table border="1" data-bbox="909 513 1646 623"> <thead> <tr> <th>Baseline (2012)</th> <th>PLR (2015)</th> <th>Target (2015)</th> <th>Actual (2015)</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>67</td> <td>67</td> <td>67</td> </tr> </tbody> </table>	Baseline (2012)	PLR (2015)	Target (2015)	Actual (2015)	0	67	67	67	<p>Momotombo Power Company</p> <p>Knowledge:</p> <ul style="list-style-type: none"> Nicaraguan Water and Sewerage Enterprise Modernization Strategy Advancing Gender Agency in LAC: Experiences from the Transport Sector 																												
Baseline (2012)	PLR (2015)	Target (2015)	Actual (2015)																																				
0	67	67	67																																				
<p>Increase agricultural productivity</p>	<p>11. Achieved and Surpassed (2014): Increase in crop production by farmers benefitting from technical assistance programs of the Nicaraguan Institute of Agricultural Technology:</p> <table border="1" data-bbox="306 907 823 1053"> <thead> <tr> <th>Baseline (2005)</th> <th>PLR (2014)</th> <th>Target (2014)</th> <th>Actual (2014)</th> </tr> </thead> <tbody> <tr> <td>1,800 MT</td> <td>4,728 MT</td> <td>4,000 MT</td> <td>4,728 MT</td> </tr> </tbody> </table>	Baseline (2005)	PLR (2014)	Target (2014)	Actual (2014)	1,800 MT	4,728 MT	4,000 MT	4,728 MT	<p>23. Achieved and Surpassed (2013): Producers adopting at least two new production and /or processing technology:</p> <table border="1" data-bbox="909 802 1646 912"> <thead> <tr> <th>Baseline (2005)</th> <th>PLR (2013)</th> <th>Target (2013)</th> <th>Actual (2013)</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>33,000</td> <td>33,000</td> <td>33,250</td> </tr> </tbody> </table> <p><i>More than 50% of the total farmers (50,400) that participated in agricultural and forestry extension services adopted at least two new production and/or processing technologies. This has helped improve country capacity to provide “public good” type of services and to start developing a farm innovation system.</i></p> <p>24. Achieved (2013): Producers in certified seed production increased:</p> <table border="1" data-bbox="919 1232 1635 1414"> <thead> <tr> <th></th> <th>Baseline (2005)</th> <th>PLR (2013)</th> <th>Target (2013)</th> <th>Actual (2013)</th> </tr> </thead> <tbody> <tr> <td>Total</td> <td>0</td> <td>1,435</td> <td>1,435</td> <td>1,435</td> </tr> <tr> <td>Women</td> <td>0</td> <td>185</td> <td>185</td> <td>185</td> </tr> <tr> <td>Indigenous</td> <td>0</td> <td>118</td> <td>118</td> <td>118</td> </tr> </tbody> </table>	Baseline (2005)	PLR (2013)	Target (2013)	Actual (2013)	0	33,000	33,000	33,250		Baseline (2005)	PLR (2013)	Target (2013)	Actual (2013)	Total	0	1,435	1,435	1,435	Women	0	185	185	185	Indigenous	0	118	118	118	<p>Financing Ongoing:</p> <ul style="list-style-type: none"> NI Caribbean Coast Food Security Project (P148809) <p>Financing Closed:</p> <ul style="list-style-type: none"> Second Agricultural Technology Project (P087046) MIGA Guarantee in EcoPlanet Bamboo <p>Knowledge:</p> <ul style="list-style-type: none"> Agriculture Price Risk Reduction (P144462) Agriculture Public Expenditure Review (P152101)
Baseline (2005)	PLR (2014)	Target (2014)	Actual (2014)																																				
1,800 MT	4,728 MT	4,000 MT	4,728 MT																																				
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Total	0	1,435	1,435	1,435																																			
Women	0	185	185	185																																			
Indigenous	0	118	118	118																																			

		<p>25. Achieved (2013): Certified seed availability increased:</p> <table border="1" data-bbox="909 264 1646 375"> <thead> <tr> <th>Baseline (2005)</th> <th>PLR (2013)</th> <th>Target (2013)</th> <th>Actual (2013)</th> </tr> </thead> <tbody> <tr> <td>200 MT</td> <td>369 MT</td> <td>369 MT</td> <td>369 MT</td> </tr> </tbody> </table> <p>26. Achieved and Surpassed (2013): Producers trained in food processing and/or business administration and marketing:</p> <table border="1" data-bbox="909 518 1646 628"> <thead> <tr> <th>Baseline (2005)</th> <th>PLR (2013)</th> <th>Target (2013)</th> <th>Actual (2014)</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>3,200</td> <td>3,200</td> <td>3,204</td> </tr> </tbody> </table>	Baseline (2005)	PLR (2013)	Target (2013)	Actual (2013)	200 MT	369 MT	369 MT	369 MT	Baseline (2005)	PLR (2013)	Target (2013)	Actual (2014)	0	3,200	3,200	3,204	
Baseline (2005)	PLR (2013)	Target (2013)	Actual (2013)																
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Baseline (2005)	PLR (2013)	Target (2013)	Actual (2014)																
0	3,200	3,200	3,204																
<p>Improve investment climate and access to finance</p>	<p>12. Achieved and Surpassed (2015): Increase in MSME sales by 150%:</p> <table border="1" data-bbox="304 737 823 847"> <thead> <tr> <th>Baseline (2009)</th> <th>PLR (2015)</th> <th>Target (2017)</th> <th>Actual (2015)</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>600</td> <td>600</td> <td>617</td> </tr> </tbody> </table> <p><i>Within the 617 firms that increased their sales, the average rise in sales was 165 percent.</i></p> <p>13. Achieved and Surpassed (2017): Increase in the number of people, microenterprises, and SMEs reached with financial services:</p> <table border="1" data-bbox="304 1205 823 1315"> <thead> <tr> <th>Baseline (2012)</th> <th>PLR (2015)</th> <th>Target (2017)</th> <th>Actual (2017)</th> </tr> </thead> <tbody> <tr> <td>65,152</td> <td>81,815</td> <td>85,200</td> <td>85,790</td> </tr> </tbody> </table>	Baseline (2009)	PLR (2015)	Target (2017)	Actual (2015)	0	600	600	617	Baseline (2012)	PLR (2015)	Target (2017)	Actual (2017)	65,152	81,815	85,200	85,790	<p>27. Achieved (2014): National metrology laboratory improved with new equipment, capacity and methods to conduct tests and standardize measurements in the productive sector.</p> <p><i>The National Metrology Laboratory's capabilities to provide calibration services for electrical and volume magnitudes were enhanced through improved equipment and standards in these areas, which will benefit the domestic industry by enabling traceability of goods and services.</i></p> <p>28. Achieved: US\$5.5 million in matching grants and technical assistance provided to MSMEs.</p> <p><i>Matching grants amounting to US\$ 5.56 million (slightly lower than the planned US\$ 5.8 million because of exchange rate losses and some money transferred from grants to operation of grants) were provided.</i></p> <p>29. Achieved: Commercial code updated.</p> <p><i>At time of project closure, the revision and consultation of the code had been completed (including consultations with the National Assembly) and it had been submitted to the Office of the Presidency, which is expected to soon approve and submit it to the National Assembly.</i></p>	<p>Financing Ongoing:</p> <ul style="list-style-type: none"> • Second Land Administration Project (P121152) • IFC Credit Lines – trade, microfinance, housing, small supplier finance <p>Financing Closed:</p> <ul style="list-style-type: none"> • Micro, Small and Medium Enterprise Development Project (P109691) • MIGA Guarantee in Banco ProCredit <p>Knowledge:</p> <ul style="list-style-type: none"> • Country Economic Memorandum (P123253)
Baseline (2009)	PLR (2015)	Target (2017)	Actual (2015)																
0	600	600	617																
Baseline (2012)	PLR (2015)	Target (2017)	Actual (2017)																
65,152	81,815	85,200	85,790																

14. Mostly Achieved: Reduction in the number of days to a register a new business:

Baseline (2012)	PLR (2015)	Target (2017)	Actual (2017)
39 days	13 days	10 days	12 days

30. Achieved (2012): New regulatory institution for microfinance established and operating with adequate regulatory framework.

The National Commission of Microfinance (La Comisión Nacional de Microfinanzas) that has been operating since 2012 with the aim to regulate, promote and position the industry of microfinance, as a means to strengthen the sector solvency, development and social performance.

31. Achieved and Surpassed (2017): Land titles issued:

	Baseline (2012)	PLR (2015)	Target (2017)	Actual (2017)
Total	0	21,390	30,000	59,414
Women/ Joint Couples	0	11,000	15,000	31,489

As of June 2017, more than 50 percent of overall beneficiaries from the issuance of new titles by the Procuraduría General de la República de Nicaragua have been women or couples jointly.

32. Achieved and Surpassed (2017): Volume of MSME loans outstanding increased:

Baseline (2012)	PLR (2015)	Target (2017)	Actual (2017)
US\$71.3M	US\$147.4M	US\$160M	US\$461.8M

Up until July 2017, IFC has provided financing to MSME for US\$461.8 million, from which US\$38.75 million have been destined for Direct Loans, and US\$423.14 million for Trade Finance.

- Investment & Export Promotion Technical Assistance Institutional Development Fund (P131210)
- IFC-WBG Doing Business Technical Assistance
- Consumer Protection Technical Assistance (P126916)

Annex 9.3: Definitions

Indicator	Description
Increase in the completion rate of primary education (1 st to 6 th grade) in targeted municipalities	Total number of students completing the final year of primary education, regardless of age, expressed as a percentage of the population of the official primary or secondary graduation age in 66 municipalities. <i>Source of data:</i> Directorate of Statistics, Ministry of Education
Increase in Grade 9 (last year of lower secondary education) completion rate in targeted municipalities:	Total number of students completing the final year of secondary education, regardless of age, expressed as a percentage of the population of the official primary or secondary graduation age, in 66 municipalities. <i>Source of data:</i> Directorate of Statistics, Ministry of Education
Increase in percentage of institutional deliveries in targeted municipal health networks	Number of women delivering in an institution divided by the total number of deliveries, multiplied by 100, in 32 targeted municipalities. <i>Source of data:</i> Ministry of Health, General Division of Planning and Development
Increase in percentage of post-partum women receiving postnatal care	Number of post-partum women receiving postnatal care within 2 to 10 days of delivery in 32 targeted municipalities divided by the total estimated number of post-partum women, multiplied by 100. <i>Source of data:</i> Ministry of Health, General Division of Planning and Development
Increase in percentage of children less than one year old immunized with the Pentavalent vaccine in targeted municipal health networks	Number of children under one year of age receiving the third dose of pentavalent vaccine divided by the estimated number of children under 1 year (based on official estimates), multiplied by 100. <i>Source of data:</i> Ministry of Health, General Division of Planning and Development
Increase in sustainable access to water supply and sanitation services in rural, indigenous	Additional people with access to sustainable water supply and sanitation services in 108 municipalities. Sustainable water services include: (i) provision of potable water at least 16h/day; (ii) an effective water management model in place (such as a Water Supply and Sanitation Committee); and (iii) collections of tariffs from community households sufficient to cover at least the administration, operation and maintenance costs of water infrastructure. Sustainable sanitation services are defined as regular usage of improved sanitation solutions by household members, with improved sanitation solutions being those that hygienically separate human excreta from human contact. <i>Source of data:</i> Emergency Social Investment Fund
Multi-year sectoral strategy informs the budget, as measured by an improvement in the Public Expenditure and Financial Accountability Indicator # 12	Multi-year sectoral strategies inform the budget as measured by an improvement in Public Expenditure and Financial Accountability Indicator # 12 across four dimensions: (i) Preparation of multi-year fiscal forecasts and functional allocations; (ii) Coverage and content of sector strategies; (iii) Reconciliation of top-down and bottom-up approaches in the medium-term financial framework; and (iv) Links between medium-term framework and annual budgets. Each dimension is assessed according to the

	<p>minimum requirements as described in the Public Expenditure and Financial Accountability Performance Measurement Framework (as of January 2011) and assigned a score from A (being the highest) to D (being the lowest). The four individual scores are then converted into one overall score based on the scoring table guidelines of the Framework.</p> <p><i>Source of data:</i> PEFA Assessment</p>
increase in the number of rural people with access to an all-season road	<p>Number of people that are living within 2 km radius of an all-season road.</p> <p><i>Source of data:</i> Ministry of Transport and Infrastructure</p>
Increase in access to telephone services (fixed line and cellular phones per 100 people) and to internet services (subscribers per 100 people) in rural areas	<p>Telephone: Number of fixed lines and cellular phones per 100 people Internet services: Number of subscribers per 100 people.</p> <p><i>Source of data:</i> Nicaraguan Institute for Telecommunications and Post</p>
Additional 100 MW of renewable energy in the system	<p>Additional renewable energy created in the system from San Jacinto and Eolo plant. Geothermal source: San Jacinto plant operating since December 2012 with capacity of 59 MW. Wind power source: Eolo plant operating since February 2013 with capacity of 44 MW.</p> <p><i>Source of data:</i> Development Outcome Tracking System, and MIGA</p>
Increase in crop production by farmers benefitting from technical assistance programs of the Nicaraguan Institute of Agricultural Technology	<p>Increase from season to season or year to year in the quantity of crops produced by 35,000 farmers benefitting from technical assistance of the Nicaraguan Institute of Agricultural Technology.</p> <p><i>Source of data:</i> Impact Evaluation, 2013</p>
Increase in MSME sales by 150%:	<p>MSMEs that have benefitted from matching grants to finance pre-investment and investment activities awarded competitively through a series of rounds, and that have increased sales by 150%.</p> <p><i>Source of data:</i> Ministry of Development, Industry, and Commerce</p>
Increase in the number of people, microenterprises, and SMEs reached with financial services:	<p>Number of people, microenterprises, and SMEs reached with financial services supported by WBG financed operations. IFC counts a broad range of financial services with data disaggregated between MSMEs, including:</p> <ul style="list-style-type: none"> • Individual/Micro Finance: This category includes deposit accounts, the number of outstanding micro, housing and retail loans, as well as clients reached with insurance and pensions. IFC counts the year-end number of outstanding loans, clients insured, and deposit accounts. • Microfinance loan is defined as a commercial loan with amount at origination up to US\$10,000. Retail loans include consumer credit cards, store cards, motor (auto) finance, personal loans (installment loans), consumer lines of credit, retail loans (retail installment loans).

	<ul style="list-style-type: none"> • SME Finance: SME finance includes SME loans, leasing, as well as enterprise insurance. An SME loan is defined as a commercial loan with amount at origination between US\$10,000 to US\$1,000,000. Enterprise insurance includes the number of non-life commercial lines and agribusiness. <p><i>Source of data:</i> Development Outcome Tracking System, SME Reach survey</p>
Reduction in the number of days to a register a new business:	<p>Number of days it takes to register a new business.</p> <p><i>Source of data:</i> Doing Business Report</p>

Annex 9.4: Portfolio Management

1. During the period FY13-17, the investment portfolio of the World Bank (WB) in Nicaragua demonstrated remarkable performance in terms of disbursements and achievements. Disbursements in millions almost doubled in terms of volume between 2013 and 2017 (US\$45.7 million in FY13; US\$74 million in FY14; US\$81.9 million in FY15; US\$78.2 million in FY16; and US\$79 million in FY17). Similarly, the disbursement ratio had an upward trend (28 percent in FY13, 32 percent in FY14, 36 percent in FY15, 30.4 percent in FY16, and 45.1 percent in FY17), placing Nicaragua among the highest disbursing countries in Central America and LAC. These high disbursements have translated into visible development outcomes and results.

2. These accomplishments are a result of an organized approach to portfolio management.

The Government of Nicaragua and the WBG have established effective communication channels (Figure 1) that serve to recognize and address implementation issues in a timely manner. The Ministry of Finance and Public Credit and the Multilateral Development Liaison Office play a critical role. The Multilateral Development Liaison Office, which reports to the Minister of Finance and Public Credit, has an appointed coordinator to oversee the implementation of public investments, and an assigned liaison for the WBG portfolio. In addition, the National Technical Committee oversees the implementation of the public investment portfolio to provide institutional support and ensure competent and timely implementation. The portfolio management (Figure 2) also benefits from semi-annual reviews which serve to continually monitor project performance, and resolve any issues. The participation in the semi-annual reviews includes the Minister of Finance and Public Credit, representatives of the MDB, the National Technical Committee, Executing Agencies, and the WBG; each project is discussed in detail: results to date, disbursements, potential bottlenecks and implementation going forward. These efforts are accompanied by yearly fiduciary and procurement trainings to ensure continuous capacity building.

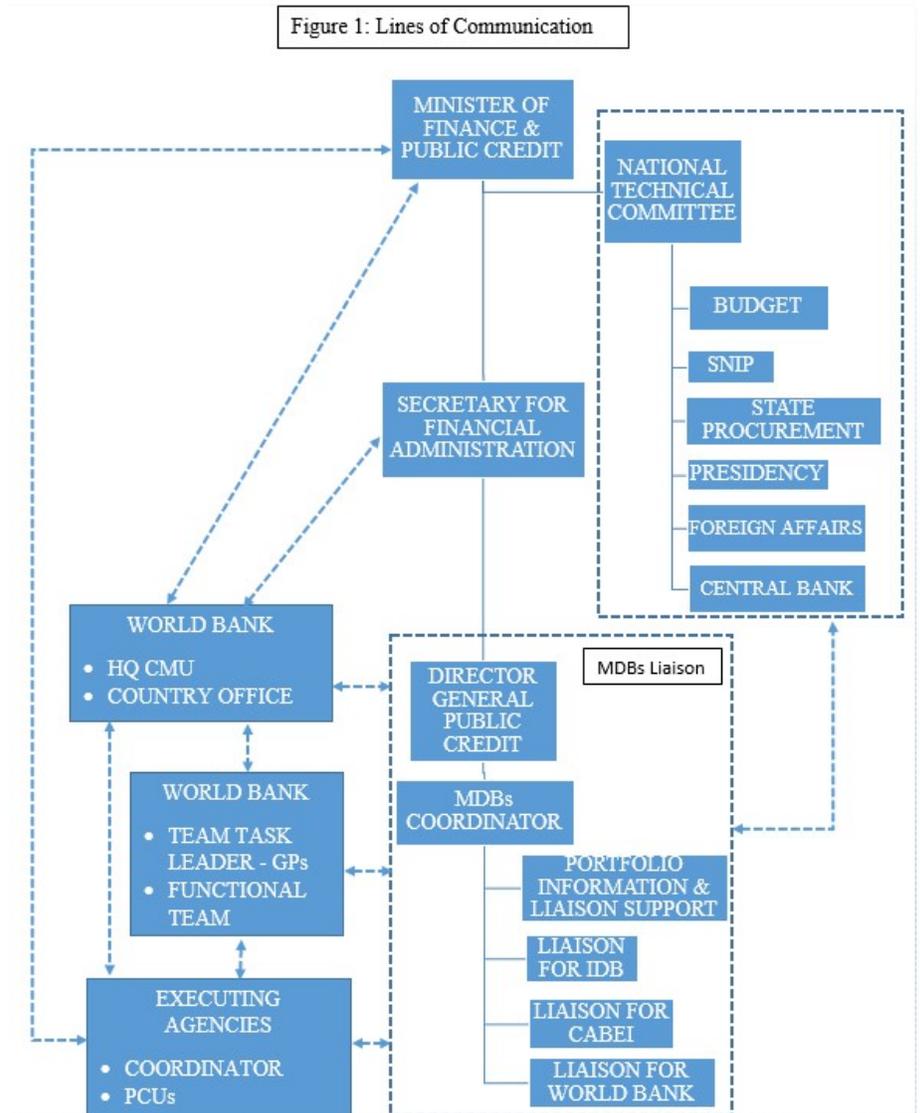
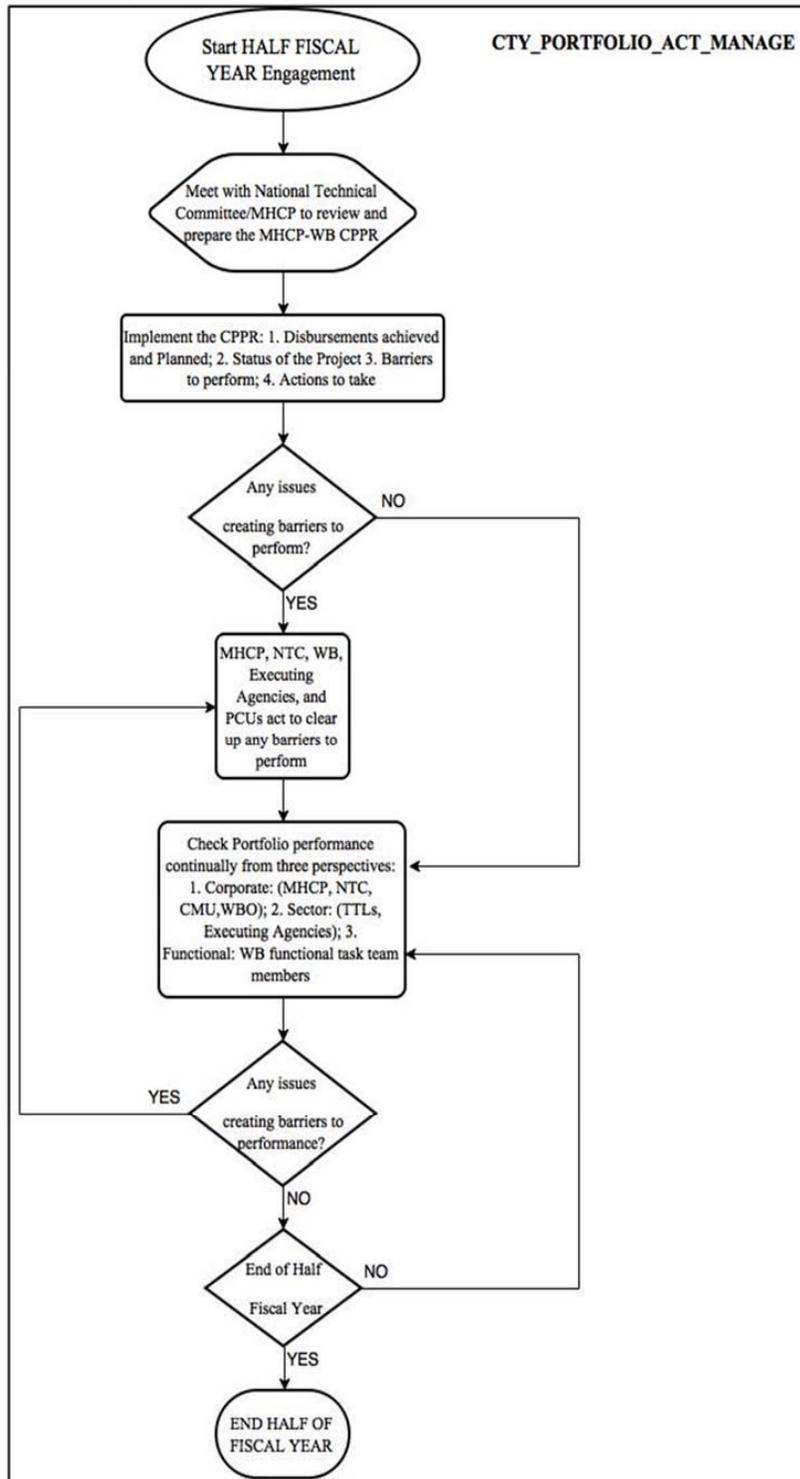


Figure 2. Country Portfolio Active Management Process



Annex 9.5: Planned Lending Program and Actual Deliverables (IDA)

IDA delivered a total package of US\$527.82 million, including US\$34.5 million in Additional IDA (beyond the country IDA allocation), US\$50 million through the IDA Scale Up Facility, US\$23.6 million in Regional IDA, and leveraged US\$87.92 million through financing from other donors (see table at the end of this annex for differentiation of financing sources). During the first year of the CPS (FY13), a total of US\$105.2 million was delivered, of which over half was gained through donor leveraging; the operations included: the Second Land Administration Project (P121152, US\$40 million); the Education Sector Strategy Support Project, with support from the European Union and Global Fund (P133557, US\$48.02 million); Adaptation of Water Supplies to Climate Change with GEF funding (P127088, US\$6 million); Additional Financing for Rural Water Supply and Sanitation (P132102, US\$6 million); and Additional Financing for Hurricane Felix Emergency Recovery (P132108, US\$5 million). In FY14, IDA delivered included: the Sustainable Rural Water Supply and Sanitation Project (P147006 US\$30 million); support through the Catastrophe Risk Insurance Facility (P149895, US\$12 million); Additional Financing for Rural Roads Infrastructure Improvement (P146845, US\$57 million); and Additional Financing for Improving Community and Family Health Care Services (P146880, US\$10 million). An Agriculture Competitiveness project foreseen for that year was dropped, due to government's decision to utilize GAFSP donor funds that were made available. For FY15, US\$118.9 million was delivered, including: Strengthening the Public Health Care System Project (P152136, US\$60 million); the Caribbean Coast Food Security GAFSP project (P148809, US\$33.9 million); and Additional Financing for Public Financial Management Modernization (P150743, US\$25 million). A planned Logistics and Trade Facilitation project was dropped, due to government's decision to prioritize IDA resources for emerging priorities. In FY16, a programmed Social Protection project was dropped, as government decided to prioritize a health project which was advanced and approved in FY15. During the final year of the CPS period, FY17, US\$194 million in IDA were committed, including: a Rural & Urban Access Improvement Project (P160359, US\$96.8 million); the Alliance for Education Quality Project – ACE (P161029, US\$55 million); the Caribbean Regional Communications Infrastructure Program (CARCIP) - Nicaragua (P155235, US\$20.1 million); Additional Financing for the Nicaragua Second Land Administration Project (P163246, US\$18 million); and Additional Financing for 2nd Support to the Education Sector (P126357, US\$5 million).

CPS IDA Program (IDA in US\$ millions)		Status at CPS CLR
FY13 Plan		FY13 Actual
Second Land Administration Project (P121152)	US\$38	Delivered (US\$40)
Additional Financing for Rural Water Supply and Sanitation (P132102)	US\$6	Delivered
Additional Financing for Hurricane Felix Emergency Recovery (P132108)	US\$5	Delivered
Adaptation of Water Supplies to Climate Change GEF (P127088)	US\$6	Delivered
Education Sector Strategy Support Project EU & Global Fund (P133557)	US\$53	Delivered (US\$48.02)
Total Planned FY13	US\$108	US\$105.02 Delivered
FY14 Plan		FY14 Actual
Catastrophe Risk Insurance Facility (P149895)	--	US\$12 Delivered
Additional Financing for Rural Roads Infrastructure Improvement (P146845)	--	US\$57 Delivered
Additional Financing for Improving Community and Family Health Care Services (P146880)	--	US\$10 Delivered
Sustainable Rural Water Supply and Sanitation Project (P147006)	US\$30	Delivered
Agriculture Competitiveness	US\$25	Dropped
Total Planned FY14	US\$55	US\$109 Delivered
FY15 Plan		FY15 Actual
Additional Financing for Public Financial Management Modernization (P150743)	--	US\$25 Delivered
Caribbean Coast Food Security GAFSP (P148809)	--	US\$33.9 Delivered
Strengthening the Public Health Care System Project (P152136)	--	US\$60 Delivered
Logistics and Trade Facilitation	US\$25	Dropped
Total Planned FY15	US\$25	US\$118.9 Delivered
FY16 Plan		FY16 Actual
Social Protection	US\$25	Dropped
Health	US\$25	Advanced to FY15 for US\$60 (P152136)
Total FY16	US\$50	US\$0 Delivered
FY17 Plan		FY17 Actual
Rural & Urban Access Improvement Project (P160359)	US\$30	US\$96.8 Delivered
Alliance for Education Quality Project – ACE (P161029)	--	US\$55 Delivered
Additional Financing for 2nd Support to the Education Sector (P126357)	--	US\$5 Delivered
Caribbean Regional Communications Infrastructure Program (CARCIP) Nicaragua (P155235)	--	US\$20.1 Delivered
Additional Financing for Nicaragua Second Land Administration Project (P163246)	---	US\$18 Delivered
Total FY17	US\$30	US\$194.4 Delivered
Total Planned FY13-17	US\$268	US\$527.82 Delivered

Annex 9.5: Planned Lending and Actual Deliverables FY13-17, by sources of funding
*(national IDA Allocation, Additional IDA, IDA Scale-Facility, Regional IDA,
plus funding from other donors implemented by the WBG)*

Lending program	Planned (US\$ Million)	Actual (US\$ Million) at CPS CLR	IDA Allocation	Additional IDA	SUF	Regional IDA	Other donors (implemented by WB)
FY13							
Second Land Administration Project (P121152)	38.0	40.0	40.0				
Additional Financing for Rural Water Supply and Sanitation (P132102)	6.0	6.0	6.0				
Additional Financing for Hurricane Felix Emergency Recovery (P132108)	5.0	5.0	5.0				
Adaptation of Water Supplies to Climate Change GEF (P127088)	6.0	6.0					6.0
Education Sector Strategy Support Project EU & Global Fund (P133557)	53.0	48.02					48.02
Total FY13	108.00	105.02	51.0	0.0	0.0	0.0	54.02

FY14							
Catastrophe Risk Insurance Facility (P149895)	--	12				12.0	
Additional Financing for Rural Roads Infrastructure Improvement (P146845)	--	57.0	57.0				
Additional Financing for Improving Community and Family Health Care Services (P146880)	--	10.0	10.0				
Sustainable Rural Water Supply and Sanitation Project (P147006)	30.0	30.0	30.0				
Agriculture Competitiveness	25.0	Dropped					
Total FY14	55.00	109.00	97.0	0.0	0.0	12.0	0.0
FY15							
Additional Financing for Public Financial Management Modernization (P150743)	--	25.0	25.0				
Caribbean Coast Food Security GAFSP (P148809)	--	33.90					33.90
Strengthening the Public Health Care System Project (P152136)	--	60.0	60.0				
Logistics and Trade Facilitation	25.0	Dropped					
Total FY15	25.0	118.9	85.0	0.0	0.0	0.0	33.9

FY16							
Social Protection	25.0	Dropped					
Health	25.0	Advanced and approved in FY15 for US\$60M (P152136)					
Total FY16	50.0	0.0	0.0	0.0	0.0	0.0	0.0
FY17							
Rural & Urban Access Improvement Project (P160359)	30.0	96.8	30.3	16.5	50.0		
Alliance for Education Quality Project – ACE (P161029)	--	55.0	55.0				
Additional Financing for 2nd Support to the Education Sector (P126357)	--	5.0	5.0				
Caribbean Regional Communications Infrastructure Program (CARCIP) Nicaragua (P155235)	--	20.1	8.5			11.6	
Additional Financing for Nicaragua Second Land Administration Project (P163246)	---	18.0		18.0			
Total FY17	30.0	194.9	98.8	34.5	50.0	11.6	0.00
Total FY13-FY17	268.0	527.82	331.8	34.5	50.0	23.6	87.92

Annex 9.6: Planned Non-Lending Activities and Actual Deliverables

CPS program	Status at the CPS CLR
FY13	
LSMS and Poverty Mapping TA	Dropped
Education Strategy follow-up	GPE - Nicaragua Education Sector Strategy Support Project (TF013232) & Education Sector Strategy Support Grant 1st Tranche EU funding (TF015143) Approved in FY3 and to be completed in FY18. Funding for lending activity Education Sector Strategy Support (P133557)
Policy notes on Climate Adaptation	Moved to FY14 (TF099458)
Country Economic Memorandum	Country Economic Memorandum (P123253) Delivered FY13
Agricultural Public Expenditure Review	Agriculture Public Expenditure Review (P127573) Delivered FY13
ENACAL Modernization Strategy	Moved to FY16 (TF018089)
Agriculture Price Risk Reduction (JSDF)	Moved to FY16 (TF014338)
	Other:
	Support for a proposal to the Global Agriculture and Food Security Program / Nicaragua (P144535) Delivered
FY14	
PEFA Assessment	Moved to FY16 (P146093)
Poverty Assessment (Economic & Sector Work - ESW)	Dropped
Teen Pregnancy TA	Moved to FY19 "Tackling Teenage Pregnancy in Nicaragua (TF0A2609)"
Programmatic Social Sector Policy Notes	Moved to FY17 (P146907)
Corazon II GEF TF	Dropped
Joint IFC-WB Financial Innovation TA	Moved to FY15 (P147229)
Sustainable Development Strategy for Export Sector	Moved to FY16 (TF012322)
	Other:
	Payment Systems Legal and Oversight Framework (P144344) Delivered
	Consumer Protection (P126916) Delivered in FY14
	BNPP-SUST. DEV. & CLIMATE CONTROL: Reducing Pollution and Strengthening Resilience to Climate Change in LCR (TF099458)

FY15	
Programmatic Social Sector Policy Notes	Moved to FY17 (P146907)
Financial Sector Assessment Program - FSAP	Dropped
Joint IFC-WB Financial Innovation TA	Doing Business in Central America (P147229) Joint IFC-WB Technical Assistance, Delivered in FY15
	Other:
	Creating Sustainable Sanitation Services through Domestic Private Sector Participation (P132169) Delivered FY15
	Nicaragua learns from Land Administration experience in Croatia (TF017513) Delivered in FY15
	Central America & Caribbean Catastrophe Risk Insurance Project (P149670)
FY16	
Joint IFC-WB Financial Innovation TA	Dropped
	Other:
	Public Expenditure and Financial Accountability – PEFA (P146093) Delivered in FY16
	Strengthening Supervision of Microfinance Institutions (P149357) Delivered FY16
	Enhancing Disaster Risk Management in Central America (P145227) Delivered in FY16.
	Public-Private Partnerships in Central America (P146838) Delivered in FY16
	Constraints and Opportunities Analysis: Transformation of the Agricultural Sector in Nicaragua (P152101) Delivered in FY16.
	Nicaragua Debt Management Reform Plan (P157750) Delivered in FY16
	Nicaragua Strengthening Investment & Export Promotion (TF012322) Delivered in FY16
	Public Financial Management (TF013992) Delivered in FY16
	Public Financial Management (TF014059) Delivered in FY16
	Reducing the Vulnerability of Small Farmers to Price Risk (TF014338) Delivered in FY16
	Advancing Gender Agency in LAC: Experiences from the Transport Sector (TF015567) Delivered in FY16
	Consolidation, Improvement and Expansion of the Rural Water and Sanitation Information System (TF016023) Delivered in FY16
	Strengthening Supervision of Microfinance Institutions (TF016356) Delivered in FY16
	Capacity building on Health Statistics Information (TF017790) Delivered in FY16
	ENACAL Master Plan for Operational Efficiency in Managua (TF018089) Delivered in FY16

	South-South exchange to improve the management of Health Technologies (medical equipment) in the Public Health System (TF018167) Delivered in FY16
	Strengthening Institutional Capacity of the Government of the Northern Atlantic Autonomous Region for transparency and accountability (TF014561) Delivered in FY16
FY17	
	Central America Social Sector Expenditure and Institutional Review (P146907) Delivered in FY17
	School Drop-outs in Central America: Causes and Consequences (P153075) Delivered in FY17.
	Regional Agenda and Action Plans for Sanitation in Central America (P132284) Delivered in FY17
	Supplement funds to Strengthening Government Capacity for Rural & Peri Urban SS-DPSP, (TF013222) Delivered in FY17 [Support to P132169]
	LCR: WSS services for indigenous peoples and Afro-descendant (TF018879) Delivered in FY17
	Nicaragua - MDB SREP Preparation Budget (TF0A0340) Delivered in FY17
	Boosting the IT-ITES Sector in Nicaragua: Knowledge Exchange (TF0A1076) Delivered in FY17
	South-South Exchange on Population and Dwelling Censuses for Nicaragua (TF0A1522) Delivered in FY17
	Nicaragua – Water and Sanitation Impact Evaluation (TF016813) Underway, to be completed in FY18
	Dynamic Information Framework for Climate Smart Landscapes and El Niño Preparedness (TF0A2609) Underway, to be completed in FY18
	Nicaragua Preparation of the Education Sector Plan 2016-2020 (TF019054) Underway, to be completed in FY18
	NI TF Sustainable Rural Water Supply and Sanitation Sector Project Impact Assessment (TF016813) Underway, to be completed in FY18
	FCPF Nicaragua Readiness\n Preparation Proposal - Formulation Grant (TF099264) Underway, to be completed in FY18
	Improving Quality and Efficiency of Public Sector Audit (TF0A4518) Underway, to be completed in FY18
	Central America Energy Assessments - 6C (P155068) Underway, to be completed in FY19
	Strengthening Rural WSS Sector Institutional Policy and Planning Capacity in Nicaragua (P132171) Underway, to be completed in FY19
	Tackling Teenage Pregnancy in Nicaragua (TF0A4987) Underway, to be completed in FY19
	Central America overweight and obesity prevention (TF0A4082) Underway, to be completed in FY19
	Precious Woods Project (TF056528) Underway, to be completed in FY19
	Improving Access to Markets through Rural Roads Rehabilitation - Overcoming Additional Constraints (TF0A2983) Underway, to be completed in FY19

	Promoting the cognitive and socioemotional development of children (TF0A0373) Underway, to be completed in FY20
	CCT Plus: Combining CCT, vocational training and business grants long term evaluation of exposure in early childhood to cash transfers and home-based parenting training in Rural Nicaragua (TF0A0739) Underway, to be completed in FY20
	Preparation of FCPF Nicaragua (TF017639) Underway, to be completed by FY21

Annex 9.7: IFC Engagement in Nicaragua

8. IFC's total outstanding portfolio as of June 30, 2017, including mobilization, was US\$271 million, consisting of an own-account exposure of US\$174.8 million and US\$96.16 million mobilized from multilateral institutions (such as the Dutch Development Bank and the German Investment and Development Cooperation) and other third parties. During the CPS period, IFC delivered a total of US\$529.52 million. IFC's engagement in Nicaragua has focused on: (i) improving the business environment; (ii) increasing access to finance; (iii) addressing infrastructure bottlenecks; (iv) supporting competitive firms in agriculture, industry, and services; (v) helping Nicaragua take advantage of regional integration; and (vi) fostering sustainable economic development and job creation. Through its clients, during the CPS period, IFC has helped increase financing for SMEs from US\$71.3 million in 2013 to US\$147.4 million in 2017, expanded health services in the country, with 99,755 patients reached, and produced more than 420 megawatts per hour of renewable energy.

9. *Financial sector.* IFC has contributed to increasing access to finance for MSMEs and facilitating international trade. IFC supports Nicaragua's five private commercial banks through its Global Trade Finance Program. In the Microfinance Sector, IFC has provided a loan, together with the Global Agriculture and Food Security Program (GAFSP) to the *Fondo de Desarrollo Local*, the largest microfinance institution in Nicaragua with a strong rural presence and focus on the agribusiness sector, and has provided Advisory Services to *Fundación para el Desarrollo Socioeconómico Rural*, a foundation for rural socio-economic development, to strengthen the institution's risk management and corporate governance. In all, IFC support for greater access to finance among MSMEs has increased six-fold between 2012 and 2017. During that time, IFC committed US\$461.8 million in the financial sector to increase credit lines in the trade and housing sectors, and expand lending to MSMEs and agri-business. The number of MSMEs reached with financial services increased from 62,152 in 2012 to 85,790 by July 2017, surpassing the CPS target.

10. *Infrastructure.* IFC has supported the government's efforts to transform Nicaragua's energy generation matrix from fossil-based fuels to renewable energy sources, providing a financing package to San Jacinto (US\$50.5 million in IFC financing, plus US\$109.7 million in mobilization), a geothermal plant in Northwestern Nicaragua, for the implementation of its expansion program (included a Subordinated Loan and the mobilization of funds from other multilateral and international financial institutions).

11. *Agribusiness.* IFC's investment and advisory work with agribusiness firms is helping to strengthen the country's key export sectors, finance innovative schemes to expand linkages with smaller producers and vendors and support corporate social responsibility initiatives. In addition, IFC has supported strategic clients in competitive export sectors (such as sugar and coffee) and promoting private sector co-generation efforts (cogeneration from sugar cane bagasse). In total, IFC has financed three of Nicaragua's four sugar mills, including Nicaragua Sugar Estates Limited (NSEL), Monta Rosa, and Montelimar. The Montelimar Project supports the acquisition of land to increase the planted area, investment in irrigation and other infrastructure in the field, increasing milling capacity, acquiring additional harvesting and transportation equipment and funding incremental working capital needs.

12. *Manufacturing and Services.* IFC is also working to develop private sector solutions to address critical social needs by investing in the health sector (Hospital Metropolitano). IFC supported the Multiplaza Nicaragua expansion with a loan of US\$13 million. Hospital Metropolitano S.A. is the leading private hospital in Nicaragua, offering a broad range of high quality health care services. After beginning

operations in 2004 it rapidly established itself as a leading health care institution within the Nicaraguan health sector developing a reputation for a high level of quality.

13. *Mining.* IFC has also supported the government's efforts to make local mining industries more environmentally sustainable, by developing and integrating practices that address the environmental impact of mining operations (e.g. reducing water and energy consumption, preventing soil, water, and air pollution). This is expected to improve conditions for a community that currently relies largely on artisan mining. In October 2014, IFC made an equity investment of approximately US\$5.6 million in Condor Gold PLC, a London Stock Exchange AIM-listed company. Specifically, IFC's investment supports exploration for Condor Gold's flagship project, Mina La India, located in central Nicaragua.

14. *WBG fostering the maximizing finance for development approach.* The WBG-supported public-private partnership in geothermal energy has fostered discussions with the government regarding the possibility of helping Nicaragua with a *Scaling Solar* initiative to further support energy diversification and reduce Nicaragua's competitiveness-hampering dependence on fossil fuels. Recently started IFC advisory work for (i) a rural microfinance client adopting intelligent climate practices and (ii) a regional dairy sector player interested in improving the milk quality and practices of small milk suppliers may build on the WBG's diagnostic work; both initiatives aim to promote knowledge sharing and best practices, as well as unlock additional investment, creating and growing markets in which small producers can increasingly participate.

Annex 9.7: MIGA Engagement in Nicaragua, FY13-FY17

Effective Date	Expiry Date	Project Enterprise Name	Business Sector	Risk Covers	Exposure at issuance	Outstanding Gross Exposure (USD million)					Project Description	Current Status
						FY13	FY14	FY15	FY16	FY17		
04/12/2000	04/11/2015	Ormat Momotombo Power Company	Infrastructure	TR; EXP; WCD; BOC	81.4	5.69	-	-	-	-	The project involves the rehabilitation, expansion, operation and maintenance of a 70 megawatt geothermal power plant and field located north of Managua, the capital of Nicaragua. The plant was originally designed to generate 70 megawatts, however, due to a lack of resources, it was limited to producing 10 megawatts. The investment will have a significant impact on the availability of energy, as the rehabilitation program will allow the plant to increase its generating capacity significantly above the 10 megawatt level.	Not active Cancelled
08/10/2012	08/09/2032	Eolo de Nicaragua, S.A.	Infrastructure	TR; EXP; WCD	16.29	16.29	16.29	16.29	16.29	16.29	The Eolo project involved the construction of a 44 megawatt wind farm in Rivas Province on the shores of Lake Nicaragua. Eolo consists of 22 Gamesa G90 2 megawatt wind turbine generators, as well as the facilities and equipment required to connect the generators to a high-voltage substation. It is estimated that Eolo will be able to generate approximately 169.6 gigawatt hours	Active

											of electricity per year, without requiring any fossil fuel supply.	
12/21/2012	12/20/2027	EcoPlanet Bamboo	Agribusiness	EXP; WCD	48.78	27	27	48.78	48.78		The project consists of the purchase and conversion of degraded land in the El Rama area into commercial bamboo plantations for the sale and export of sustainably grown and harvested bamboo fiber. EPB Group plans to establish a pre-processing facility for the production and sale of its Forest Stewardship Council-certified bamboo fiber to U.S. and multinational timber manufacturers for use in industries such as laminates and composites for construction and furniture, pulp and paper production, and the generation of renewable energy. Waste and lower value culms will be used for biomass energy to fuel the company's needs, with excess being sold to the local grid.	Not active Cancelled
12/22/2010	12/21/2020	Banco ProCredit S.A.	Financial	EXP	12.92	12.92	12.92	12.92	12.92		The guarantee issued by MIGA will help PCH obtain capital relief from the CAR requirements. By obtaining MIGA's insurance against the risk of expropriation of funds, the risk weighting for mandatory reserves held at the central bank can be reduced. A lower risk weighting will allow PCH to free up equity currently tied up for CAR maintenance purposes, thereby	Not active Cancelled

											allowing these funds to be injected into its subsidiary banks. This in turn will allow PCH's emerging market subsidiary banks across its network to increase its lending activities.	
12/29/2014	12/28/2024	Industria Ceramica Centroamerica S.A.	Manufacturing	TR; EXP; WCD	10.98		-	10.98	10.98	10.98	The project involves the acquisition of a majority share of Industria Cerámica Centroamericana S.A. by OC International Holdings of Barbados, a majority owned subsidiary of Organización Corona S.A., a large ceramics manufacturer incorporated in Colombia. The investor plans to modernize and expand the facilities following the acquisition.	Active
					170.37	61.91	56.21	88.97	88.97	27.27		

