

**PROJECT INFORMATION DOCUMENT (PID)
ADDITIONAL FINANCING**

Report No.: PIDA14768

Project Name	Additional Financing for the NI PFM Modernization Project (P150743)
Parent Project Name	NI Public Financial Management Modernization Project (P111795)
Region	LATIN AMERICA AND CARIBBEAN
Country	Nicaragua
Sector(s)	Public administration- Financial Sector (51%), Information technology (49%)
Theme(s)	Public expenditure, financial management and procurement (100%)
Lending Instrument	Investment Project Financing
Project ID	P150743
Parent Project ID	P111795
Borrower(s)	Government of Nicaragua, Ministry of Finance and Public Credit (MHCP)
Implementing Agency	Ministry of Finance and Public Credit, Nicaragua
Environmental Category	C-Not Required
Date PID Prepared/Updated	19-Oct-2014
Date PID Approved/Disclosed	19-Oct-2014
Estimated Date of Appraisal Completion	22-Oct-2014
Estimated Date of Board Approval	05-Dec-2014
Decision	Authorization to appraise and move towards negotiations
Other Decision	TBD

I. Project Context

Country Context

Poverty has declined in Nicaragua in recent years, but significant challenges remain in the fight against poverty and with respect to boosting shared prosperity. Nicaragua is one of the least developed countries in the Latin America and the Caribbean (LAC) region, with Gross National Income per capita of US\$1,650 in 2012. The country had an income growth rate in 2011 of 5.1 percent, the highest in a decade, which surpassed average performance for LAC and Central America (4.0 percent and 0.6 percent, respectively). The second half of the last decade brought a notable reduction in poverty and inequality. In contrast to the 2001-2005 period in which poverty essentially stayed constant at 48 percent, the country saw a significant reduction in the poverty headcount of nearly 6 percentage points (equivalent to around 230,000 fewer poor people), reaching a national rate of 42.5 percent in 2009. Meanwhile, extreme poverty fell from 17.2 to 14.6 percent

between 2005 and 2009. The Government's current National Plan for Human Development (2007-2012) gives priority towards pro-poor delivery of basic social services and infrastructure, particularly in rural areas. More recently, there has been a renewed emphasis on the need to stimulate investment and improve productivity, particularly in export-oriented sectors. This shift is likely to be reflected in the ongoing revision to the National Human Development Plan that will be extended to 2016.

Sectoral and institutional Context

Recognizing the importance of strengthening public management control and accountability for targeting public policy and tackling development challenges, the Government of Nicaragua (GoN) has demonstrated commitment in modernizing public financial management (PFM) over the past decade (i.e. Law 550, approved in November 2005 to regulate budget management and ensure accountability and the civil service law approved in December 2003 to promote the professionalization and development of the Government's cadre). Noteworthy achievements in this area include the passage of a comprehensive and modern public financial management (PFM) legal framework. Both of these reforms were approved by the previous administration and have been actively implemented by the present one. The GoN has also advanced with organizational reforms within the Executive to further strengthen its regulatory capacities as well as to enhance control and accountability capabilities of Central Government institutions. Sequential administrations have advanced the development of modern PFM instruments and integrated financial management systems – including the one designed and financed under the original Project (P150743). In 2009, the Ministry of Finance (Ministerio de Hacienda y Crédito - MHCP) was the beneficiary of a non-lending technical assistance that financed and structured the preparation of the original Project. This technical assistance (TA) emphasized the reengineering of the work procedures within all the Substantive Departments of the MHCP.

II. Proposed Development Objectives

A. Current Project Development Objectives – Parent

The objective of the Project is to enhance the efficiency, performance orientation, and transparency of the Recipient's public expenditures management.

B. Proposed Project Development Objectives – Additional Financing (AF)

To enhance the efficiency, performance orientation, and transparency of the Recipient's public expenditure management and to strengthen the Recipient's statistics management capacity.

III. Project Description

Component Name

1. Strengthening of Institutional Capacities of the Ministry of Finance

Comments (optional)

Additional activities will be added to Subcomponent 1.2 Strengthening of the accounting subsystem. This sub-component will provide assistance to the National Accounting and Auditors' Association (CCPN) in designing and implementing a self-sustainable training system to facilitate access to relevant training programs for professional accountants. The establishment of the Continuing Professional Development (CPD) program is expected to help participants develop their professional capabilities both in private or public practice. The program will provide participants with the knowledge and skills to support the implementation of international accounting and

auditing standards and will be opened to CCPN members and accounting, finance or auditing professionals, and teachers of the profession.

Component Name

2. Design, Acquisition, and Development of a Renewed Integrated Financial Management System

Comments (optional)

Support will be provided through Subcomponent 2.2 Design and acquisition of technology infrastructure and Subcomponent 2.3 Strengthening the MHCP Technology Office. Support in this subcomponent seeks to: (i) strengthen information security through updating the infrastructure for the Datacenter in the MHCP and improving monitoring and follow-up of security breaches; (ii) improve decision-making capacity through the procurement, installation and implementation of a platform for Business Intelligence; and (iii) enhance business continuity practices through the installation of a contingency site for the new Financial Management Information System (SIGAF) Datacenter. Under sub-component 2.3, activities include ongoing maintenance of the SIGFA (the existing system) and the SIGFA until deployed.

Component Name

3. Implementation of SIGAF and PFM Capacity Building in Central Government Agencies

Comments (optional)

Additional support will be provided within the Subcomponent 3.1 – Installation and Roll-out of the new SIGAF. In order to support the implementation and wide use of the SIGAF throughout the public administration, technical assistance will be provided not only with regard to the technological application of the system but also with regard to the integrated administrative processes and procedures, support for the pilot tests, and the operational acceptance stage. The desired outcome of this support is to increase the coverage of the system to a greater number of business units within the central administration. Assistance under this subcomponent also includes preliminary support for subnational PFM capacity through assessments and analytical activities in view of future PFM reforms.

Component Name

4. Project Management

Comments (optional)

The implementation of the AF operation will require continued support to the MHCP to oversee and administer project.

Component Name

5. Enhancing the country's Statistical Capacity

Comments (optional)

This component includes strengthening the National Statistics Agency (INIDE). Assistance in this component will include support in the design and implementation of the multi-purpose cartography – a valuable input for the planned 2017 census as well as for other periodic surveys. This component also includes the development of INIDE's technological infrastructure in order to carry-out the census through electronic methods. As such, activities include creation of the technological infrastructure needed to conduct field work – through the use of Mobile Capture Devices (MCD) - as well as the development of software and applications necessary for the collection, monitoring, storage and processing of census and other data.

IV. Financing (in USD Million)

Total Project Cost:	25.00	Total Bank Financing:	25.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			25.00
Total			25.00

V. Implementation

Implementation arrangements for the four original Components are expected to remain the same. With regard to the activities conducted in partnership with CCPN, the MHCP will be strengthened with a full-time consultant to undertake the responsibility for coordinating with CCPN and other technical units within the MHCP to carry-out the activities in Subcomponent 1.2. The CCPN, as the direct beneficiary of this Sub-component and technical counterpart, will designate a direct counterpart (i.e. the head of the Continuing Professional Development Committee) to coordinate within the CCPN the technical inputs necessary to implement the Sub-component as envisaged in this proposal. The execution of activities related to Component 5 will be carried out or supervised by INIDE, while the MHCP will continue to manage all the fiduciary aspects of this Component.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01		x
Natural Habitats OP/BP 4.04		x
Forests OP/BP 4.36		x
Pest Management OP 4.09		x
Physical Cultural Resources OP/BP 4.11		x
Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12		x
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)

VII. Contact point

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Implementing Agencies

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