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CABEI

NICARAGUA COUNTRY STRATEGY 2018-2022





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2018-2022 NICARAGUA COUNTRY STRATEGY

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CABEI bases its strategic management on the commitment derived from its constitutive mandate, which directs it to foster the integration and the balanced economic and social development of the Central American region. In that context, the Bank executes this mandate through the guidelines set out in its Institutional Strategy, which serves as guide for the orientation of the strategic offer proposed in the present document for Nicaragua. This is an operational tool that links institutional management with Nicaraguan needs and development priorities; by promoting interventions in sectors that stimulate economic growth with job creation, and combat poverty and inequality with an environmentally-friendly approach. This document will also consolidate CABEI's relevance as a strategic ally for the development of Nicaragua at a point when the country is propitiously positioned for robust growth that will allow it to progress in closing gaps with respect to its regional peers.

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Central America Bank of Economic Integration

Annex DI-17/2018

Nicaragua 2018-2022 Country Strategy



Silvio Enrique Conrado Gómez

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1945-2018

The Central American Bank for Economic Integration (CABEI) recognizes the extraordinary work and institutional legacy of PhD Silvio Conrado (RIP), who served as Director for Nicaragua during the years 1985-1987 and 2007-2018. The indelible print of Dr. Conrado manifests itself in his unforgettable and enthusiastic promotion of regional integration, the custody of the Bank's mission embodied in its Constitutive Agreement, the strategic vision provided with wisdom and humanism, and the mentoring of teamwork with efficiency and non-negotiable technical rigor.

Dr. Conrado served with integrity to CABEI, the Central American region and his country from innumerable positions with his extensive experience as an economist

and financier, from where he promoted the macroeconomic stability and the economic, social and environmental development of all Central American people, balancing the more expensive professional responsibilities with an intense dedication for his family and friends.

The Country Strategy Nicaragua 2018-2022 incorporates the traces of quality and technical demand present throughout the professional life of Don Silvio, as he was fondly called, and especially reflects his tireless work for the realization of a vision of sustainable and inclusive development for his beloved Nicaragua. Its implementation will be another show of posthumous tribute in gratitude to his legacy.

TABLE OF CONTENTS

I	EXECUTIVE SUMMARY	6
II	INTRODUCTION	10
III	CONTEXT AND PERSPECTIVE	12
IV	CABEI IN NICARAGUA, 2013-2017	18
V	STRATEGIC OFFER FOR NICARAGUA IN THE 2018-2022 PERIOD.....	22
VI	NICARAGUA PORTFOLIO INTENTIONS	34
VII	IMPLEMENTATION MECHANISMS	36
VIII	RISKS AND MITIGANTS	39
	REFERENCE NOTES	41
	ABBREVIATIONS, SYMBOLS AND ACRONYMS	43
	BIBLIOGRAPHY	45
	ANNEX I	46
	ANNEX II	47
	ANNEX III	48
	ANNEX IV	49



SECCIÓN
I

SUMMARY

Public policies in Nicaragua have focused in promoting economic growth and social development in a sustainable and balanced manner. The country's authorities have made a series of efforts to foster an attractive investment climate, characterized mainly by price stability, an upturn in the main economic activities, diversification of the exportable supply, sustainability of public finances and a robust financial system. In the social sphere, Nicaragua has made important progress in indicators like life expectancy and schooling levels; and in general terms, it has made gradually progress on reducing the national poverty and extreme poverty indicators.

The progress in economic affairs has been recognized by multilateral organizations and the risk rating agencies. The consolidation of a higher growth rate than that of Latin America, progress in fiscal consolidation and prudent management of economic policy are some of the aspects that have led to the country's favorable assessment by the International Monetary Fund (IMF), as well by multilateral banks, such as the World Bank (WB) and the Inter-American Development Bank (IDB), which agree on a growth outlook of around 5.0% annually for the coming years. In the context of the Central American reality, the country has been consolidating a high growth

path, which in recent years has been above its potential rate (4.5%), which represents a significant achievement because it constitutes a base for gradually moving to new stages of growth and development. Against this background, the support of multilateral organizations, together with prudent management of the national debt, can contribute to consolidating and strengthening the achievements to date, especially with regard to competitiveness, investment, infrastructure development and the business climate.

CABEI has become Nicaragua's strategic ally, contributing to strengthening the nation's social development, competitiveness and regional integration. The Bank has supported the financing needs of the public and private sectors through interventions that have promoted the country's economic and social development. Specifically, during the previous period of the country strategy (2013-2017), the Bank approved US\$1.75 billion for 27 operations, representing 19.7% of regional approvals during the five year period; 97.0% was distributed to the public sector (US\$1.70 billion in 24 approvals) and 3.0% to the private sector (US\$53.0 million in 3 approvals). The Bank disbursed US\$947.8 million, 58.0% (US\$549.6 million) to the public sector and in 42.0% (US\$398.2 million) to the private sector, representing the 12.6% of disbursements during the 2013-2017 period.

CABEI's 2018-2022 strategic offer for Nicaragua is based on the commitment derived from its constitutive mandate, which directs it to foster the integration and the balanced economic and social development of the Central American region, advocating the gradual closing of portfolio gaps among the countries. In that sense, the Bank recognizes the increasing

investment opportunities in the country, the remarkable execution capacity of the operational units in charge of the projects, as well as the economy's greater absorption capacity. Additionally, CABI has included in its offer several fundamental aspects that are strategic goals of the Government of Nicaragua, including fiscal reform, structural changes in the electrical power sector, the Urban Development Master Plan for Managua, plans for the development of the Gulf of Fonseca, port infrastructure development plans, as well as the strengthening of economic dynamics and fiscal sustainability.

CABI has incorporated indicative financial programming that suggests the magnitude of the Bank's commitment to help the country achieve greater stages of development. In that context, for 2018-2022 period, the Bank aims to increase Nicaragua's participation in its credit portfolio balances from 14.1% in 2017 to

16.0% in 2022. Likewise, approvals are expected to increase from an annual average of US\$349.6 million in 2013-2017 period to an annual average of US\$400.0 million. In this way accumulated approvals would reach US\$2.0 billion in the five-year period. With regard to disbursements, the US\$189.6 million average in the 2013-2017 period is expected to increase to a US\$320.0 million annual average in the 2018-2022 period. As a result, the flow of disbursements during the five years would reach \$1.6 billion.





SECCIÓN
II

INTRODUCTION

The contents of the CABI strategy for Nicaragua were defined in coordination with Nicaraguan authorities and reflect a common interest to contribute to sustainable economic development and poverty reduction. The authorities have requested that the Bank's value offer be based on the main elements of the PNDH medium-term strategic vision, macroeconomic and budgetary perspectives referred to in the 2018-2021 Medium-Term Budgetary Framework, as well as the credit priorities set out in the 2018-2022 programmatic proposal of portfolio intention to which CABI will direct its financial assistance. In that sense, the Bank's programmatic proposal, which contains initiatives by focus area and constitutes the core of the 2018-2022 Nicaragua Country Strategy, has been designed to comply with the priorities established by Nicaraguan authorities.

The Nicaraguan authorities have achieved gradual consolidation of a sustainable and inclusive path for economic growth and the social development. Over the last eight years, national planning has focused on the definition and joint implementation of a set of public policies oriented to consolidating a development strategy based on the consensus and the joint implementation of the different priorities of Nicaraguans. These have materialized through the guidelines and axes of the last two national human development plans, which have served as

compass to guide public management towards the achievement of significant objectives of economic growth and social development, with an ample reach that includes all relevant national interest groups and is environmentally friendly.

The results of this approach have strengthened the country's position to face the challenges presented by an increasingly world-wide changing and volatile world economic climate.

Under this model of policy definition, the country's consensus has been vitally important for promoting the stability of the business climate and investor confidence. This in order to accelerate the process of productive industrial transformation, fortify the macroeconomic policy framework and the sustainability of public finances, establish an internationally recognized debt and risk profile, promote the productive diversification of local and international markets and achieve ampler and cross-sectional inclusivity to reach new stages of potential growth. These profits have expanded Nicaragua's capacity to make a transition towards the implementation of initiatives for the development of greater added value and social yield and thus contributed to the country's resilience to the risks of imbalances and crisis. In that sense, the Nicaraguan economy has sufficient strength and financial support to face external risks without interrupting the dynamics of economic growth.

The positive assessments from an international perspective are reflected in the increasing opening to and backing of financing sources. The consolidation of an attractive country profile due to its stability and economic dynamics, as well as the coherence of its public policies, has attracted the support of bilateral and multilateral sources that have provided financial resources to harness robust GDP growth. Against this background, the roll of CABEL becomes relevant, as far as which, the strategic proposal of the Bank responds and aligns to the necessities and development priorities of the country. In particular, the Nicaragua Country Strategy is the materialization of a harmony of interests and areas for collaboration derived from an intersection between the axes of the Nicaraguan National Human Development Program (PNDH) and the focus areas of CABEL's strategic actions. The identification process has involved exchanges and coordination with the country's authorities in charge of strategic planning.

Nicaraguan authorities have emphasized the favorable economic performance results in 2017, emphasizing the support of multilateral organisms and CABEL, a sound fiscal management and favorable expectations. During the CABEL Technical Mission to Nicaragua, the authorities emphasized the robust GDP growth of 4.9%, higher than the expected 4.5% rate projected, indicating that these results are clearly related with the financial support of multilateral financial organisms, especially CABEL. Likewise, they emphasized the fiscal efforts to maintain the level of social spending and indebtedness discipline that is sustainable in the medium term. Regarding the outlook, the authorities declare that it is highly hopeful because Nicaragua's economy has sufficient strength and financial support to face external risks without interrupting the dynamic of economic growth.

CABEL highlights Nicaragua's favorable results within the framework of the execution of the 2013–2017 Nicaragua Country Strategy. During the aforementioned Technical Mission, CABEL delivered the authorities a report on the results of the previous strategy, which emphasized the total approvals of US\$1.7 billion, which was 22.5% higher than the US\$1.4 billion originally established in the Strategy, reflecting the flexibility of the Bank's credit policy with its member countries. It also highlighted the growing credit flow from CABEL to Nicaragua in the 2016–2017 period, when approvals reached US\$858.6 million, a record number for this country.

CABEL reiterates its commitment to promoting the balanced economic and social development of the countries of the Central American region. In the context of the 2018–2022 business proposal for Nicaragua, CABEL recognizes and appreciates the openness and confidence of the authorities to allow the Bank to continue to consolidate its positioning and relevance as the main source of multilateral resources for development, while it provides financial support to strengthen the country's economic and social development process, which has been gaining strength since 2007. Likewise, the Bank is grateful for the contributions of the private sector to orienting and identifying intervention opportunities where the Bank should direct resources to make a greater contribution to the investment process of this sector. Finally, CABEL recognizes that the materialization of this strategic proposal will contribute to dealing with the challenges and accelerating the process of closing development gaps between the countries of Central America, thereby reinforcing its compliance with its constitutive mandate.





CONTEXT AND

SECCIÓN
III

PERSPECTIVE

NICARAGUA FROM A WORLD-WIDE PERSPECTIVE

In the context of the Central American reality, the country's progress positions it in a privileged platform because that may serve as base to gradually scale to new stages of growth and development. In the face of this reality, the support of multilateral organizations, together with prudent management of the national debt, can contribute to consolidating and strengthening the achievements to date, especially with regard to competitiveness, investment, infrastructure development and the business climate.

The International Monetary Fund (IMF) has highlighted Nicaragua's robust growth dynamic, as well as the strengthening of macroeconomic fundamentals. During the last five-year period, Nicaragua has managed to consolidate a higher GDP growth rate than the Latin American average, in a context of price stability. Among other aspects, there has been notable gradual process of export diversification, as well as a reduction of some constraints to growth, including the capacity and coverage of electricity generation. In addition, there has been significant foreign investment in the transport and

telecommunication sectors. Infrastructure improvements led to an increase in the average contribution of total productivity to GDP growth from negative (2000-2009) to 1.4% in 2010-2015. The structural changes that have driven the country's growth have led to an increase in its productivity and growth potential (4.5%), which is expected to continue strengthening as infrastructure gaps continue to decrease and the quality and efficiency of public investment increases. In the context of these changes, the results of tax reform are significant with improvements in tax policy and revenue collection resulting in the expansion of investment in public infrastructure while poverty indicators have improved mainly in aspects of economic inclusion.

The World Bank (WB) highlights Nicaragua's macroeconomic stability as an element to strengthen the implementation of long-term poverty reduction policies. In accordance with the WB assessment, the country's progress on economic indicators has laid the foundation for the strategic decisions of the authorities to be adapted with a long-term focus; this has led to improved results in the reduction of poverty levels, mainly in the countryside. The prudent macroeconomic policies, combined with expansion of exports and foreign investment, have fostered economic growth with a greater impact, which has led to a reduction of poverty and extreme poverty. Against this background, the support of the World Bank's International Development Association (IDA)

has been key to increasing social welfare through improvements in access to quality basic services, especially in the most vulnerable communities; it has also led increasing the country's income through improved competitiveness, productivity and diversification. Nicaragua has made significant progress in the quality of the preschool and secondary education in the entire country while expanding its scope by extending the benefits of primary education to indigenous and afro-descendent students on the Caribbean Coast. In addition, it has improved maternal health in rural communities, particularly by means of greater coverage to pregnant women. On the other hand, it has managed to expand the coverage of the water and sanitation services at both urban and rural levels. These results are significant and show signs of continuing consolidation.

CEPAL outlooks highlights robust expected growth due to the improved conditions in the international context.

According to its analyses, Nicaragua has shown an increasing productive dynamic that has been supported by the agricultural production, the recovery of the construction sector and increasing external demand. According to the preliminary CEPAL evaluation for 2017, the Nicaraguan economy's momentum has been characterized by robust exports, low inflationary pressures and increasing flows of foreign investment. Additionally, there has been a gradual reduction of the current account deficit as a result of an improved trade account and increasing income from family remittances. On the other hand, the CEPAL assessment emphasizes the prudent management of fiscal policy, whose reform has led to significant progress in the tributary administration, which has created a fiscal environment that contributes to the sustainability of public finances and has facilitated the gradual reduction of indebtedness.

It is important to emphasize that Nicaragua's economic results, especially with regard to fiscal management, have been recognized by international risk rating agencies.

Nicaragua has a B+ rating with a stable outlook from Fitch Ratings and Standard & Poor's. Likewise, on July 20, 2017, Moody's Investor Service ratified the B2 rating of Nicaraguan sovereign debt and raising the outlook from stable to positive; its decision was based on the continuity of fiscal stability and a favorable economic outlook, as well as the expectation that the authorities' macroeconomic policies will mitigate the possible impact of future external shocks.

The 2017-2018 Global Competitiveness Index (GCI) compiles the country's progress, which has led to its improved position in the world-wide ranking. Nicaragua is ranked 93 of 137

countries, standing out in Latin America for its macroeconomic stability and reaching the region's levels in the pillars of health and primary education and efficiency of markets of labor and of goods. Additionally, there has been a gradual closing of infrastructure gaps as a result of public and private investment projects. This classification is a significant step forward compared to Nicaragua's position of 108/140 in 2015-2016. To continue moving forward in the world ranking, the country must continue expanding productive investment. It is noteworthy that Nicaragua allocated an average of about 5.9% of GDP to productive investment for the 2008-2015 period, one of the highest amounts in Latin America (whose regional average was 2.8% of GDP). Likewise, the strengthening of human capital, mainly with regard to technological preparation, higher education and training, will lead to improved exploitation of the opportunities that arise from productive and trade diversification. Other relevant aspects to improve in order to boost competitiveness in the medium term are the ability to innovate, the degree of sophistication of business and the financial markets.

Nicaragua has increased its human development index (HDI) from 0.495 in the 1990s to 0.645 in 2015. This is an increase of 30.3%, above the 0.631 average for countries in the middle level of development and below the average of 0.751 for the countries of Latin America and the Caribbean. The report reveals that this positive growth is a result of an 11-year increase in life expectancy at birth; also average schooling increased by 2.4 years and expected schooling rose by 4 years. While these developments are noteworthy, the country still has areas for improvement in aspects related to education, poverty and inequality. In this context, the authorities must continue with efforts to meet challenges, such as reducing the 28.0% rate of youth unemployment and the 0.48 Gini coefficient, which places Nicaragua 8 of 18 in Latin America and the Caribbean.

NICARAGUA FROM A NATIONAL PERSPECTIVE

In the national context, public policies have focused on promoting economic growth and social development in a sustainable and balanced manner. The country's authorities have made a series of efforts to foster an attractive investment climate, characterized mainly by price stability, an upturn in the main economic activities, diversification of the exportable supply, sustainability of public finances and a robust financial system. At the social level, Nicaragua has shown significant progress

in indicators such as life expectancy and the level of schooling. Additionally, on environmental issues the country has progressed in recent years in the use of renewable and clean energy by diversifying the energy matrix and reducing oil dependence and vulnerability to International price fluctuations.

Nicaragua's economy has maintained a dynamic of robust growth that has stood out in the Central American region.

The country has gradually positioned itself as a leader in regional economic growth, reaching an average growth rate of 5.3% in the 2013-2017 period, which exceeds the 3.6% average of all the Central American countries and even the average of Latin America and the Caribbean (1.2%). It should be noted that the country's economic energy is reflected in the positive behavior of the majority of its productive activities, including mining and quarrying, construction, manufacturing, tourism-related activities, services and agriculture.

In this economic environment, the participation of the aggregate demand components of the GDP have varied, reflecting a more sustainable growth profile. While growth continues to be structurally driven by consumption, components

associated with foreign trade and investment have gained relative share. On one hand, the greater participation of foreign trade in the GDP reflects a gradual process of diversification with regard to market destinations and the exportable supply as such. This change has contributed to reducing Nicaragua's dependency on traditional trade partners (especially the US) as well as to mitigating price shocks of the main export products. It is important to emphasize that access to new markets has implied a necessary improvement in quality standards at all stages of the production and distribution process, which has been partly fostered by the policies of foreign trade promotion and diversification. On the other hand, stability in the contribution of gross capital formation to the GDP, facilitated in part by the greater role of public investment, has allowed the gradual expansion of the network of productive and social infrastructure, which has had a direct impact on the competitiveness and productivity of the economy by promoting the closing of infrastructure gaps in key sectors, such as energy, roads, transport and telecommunications, among others. This contribution is significant because it lays the groundwork for a qualitative and quantitative leap in national production levels from a perspective of sustainability. These changes are in line with the IMF findings, which indicate that improvements in infrastructure and commercial networks, among other factors, are effective for promoting diversification and structural transformation; these, in turn, are critical aspects for long-term growth.

TABLE I.
Determinants of the GDP 2007 - 2017

VARIABLE		2007	2012	2017*	EVOLUTION
PIB	Millions of cordobas	136,950.2	247,993.9	416,427.8	
Consumption	Millions of cordobas	130,916.9	221,278.1	353,222.5	
	PIB share	95.6%	89.2%	84.8%	
Investment	Millions of cordobas	42,871.0	76,907.1	124,283.6	
	GDP share	31.3%	31.0%	29.8%	
Public	Millions of cordobas	6,053.2	13,704.8	31,881.6	
	GDP share	4.4%	5.5%	7.7%	
Private	Millions of cordobas	36,817.7	63,202.3	92,402.0	
	GDP share	26.9%	25.5%	22.2%	
Exports	Millions of cordobas	45,280.6	117,720.6	168,414.8	
	GDP share	33.1%	47.5%	40.4%	
Imports	Millions of cordobas	82,118.3	167,912.0	229,493.1	
	GDP share	60.0%	67.7%	55.1%	

* Estimated data.

Source: Central Bank of Nicaragua



The economic performance has allowed to the creation of buffers that have fortified the Nicaragua's position to face the risks of imbalances and recession. Implementation of a prudent and articulated economic policy has allowed the creation of a stable macroeconomic context, a sustainable public financial framework and fiscal cushions that put the country in a better position to deal with internal and external shocks, such as the Nica Act. On the other hand, there has been noteworthy improvement in relations with donors and international agencies, which has been demonstrated by the global amount of approvals for cooperation for Nicaragua in 2017, including the credit portfolio already approved by the World Bank and the Inter-American Development Bank. Additionally, the Government has made noteworthy efforts to diversify financing sources in order to have suitable financial support to carry out the initiatives in PNDH 2018-2021.

The country has strengthened the composition of its external flows, favoring greater diversification of its markets and long-term financing sources, thus reducing country risk. On the one hand, in the 2013-2017 period, trade grew by 44.0% (US\$ 12.64 billion) over the 2006-2012 period. This was a result of the 51.9% increase in exports (US\$ 4.25 billion) and imports, which increased by 40.8% (US\$ 8.38 billion). This dynamic has been the result of gradual commercial diversification of both the exportable supply and the market locations, which reduces the vulnerability of the country to price and demand shocks.

On the other hand, foreign direct investment (FDI) flows were consolidated as a significant source of long-term financing. FDI reached 6.7% of GDP in the 2008-2017 period (3.9% of GDP average in the 2001-2007 period), boosted by tax incentives to export processing zones and wage competitiveness. On the other

hand, family remittances have strengthened their role as elements to stimulate household consumption and represented on average 9.5% of GDP from 2007-2011 and 9.7% of GDP in the 2008-2016 period. It is noteworthy that the behavior of flows over the years has mainly reflected changes in the working conditions of Hispanics in the US labor market.

FINANCING AND SUSTAINABILITY OF THE FOREIGN DEBT

CABEI has demonstrated increased relevance and positioning as source of development financing. Nicaragua's total national debt rose to US\$6.29 billion through the third trimester of 2017, equivalent to 45.4% of GDP, of which 84.5% corresponds to external indebtedness, principally contracted with multilateral and bilateral financial institutions under concessional conditions. On the other hand, internal national debt totals US\$975.7 million (7.05% of GDP), composed mainly of bonds and government bills of exchange. In the period between 2013 and September 2017, disbursements of multilateral external loans reached US\$2.25 billion, averaging US\$450.0 million per year. In that context, CABEI operations have shown increasing dynamism over the last five years, disbursing US\$947.8 million from 2013-2017, which represents 52.1% more than the amount disbursed from 2008-2012. In addition, the authorities expect disbursements of loans to the public sector to increase in the 2017-2021 period, due to higher contracting of external loans in recent years. Along these lines, it is noteworthy that only in 2017, multilateral banks approved operations totaling \$1.04 billion, of which a 46.2% is from CABEI (See Annex I).



The results of the Debt Sustainability Analysis (DSA) indicate that Nicaragua's national debt will continue to be sustainable in the medium and long term. The national debt sustainability indicators have improved in recent years, as a result of external debt relief under the Heavily Indebted Poor Countries Initiative (HIPC) and the Multilateral Debt Relief Initiative (MDRI). This improvement is also a result of a policy of prudent indebtedness, both in the levels of contracting new loans and in the concessional terms of the contracted loans. According to an analysis made by the Nicaraguan authorities, public debt will remain at sustainable levels in the medium and long term, even under conditions of stress. This is a result of robust economic growth; the conditions for macroeconomic stability; a prudent debt policy; the high concessional component of external debt, which will be reduced in a phased manner; and an expectation of greater disbursements of foreign loans in the medium term. These findings are consistent with the general conclusions of the sustainability analysis conducted by the IMF, in the context of its 2017 review of article IV, which concluded that Nicaraguan debt is sustainable in the medium term. According to the authorities, it is expected that the present value of the debt will average around 31.3% of GDP from 2017-2022, then decrease gradually in the following years. Likewise, the debt to income ratio will remain below the 100.0% from 2017-2037, when the debt service to revenue ratio will remain below 10.0%.

The management of fiscal policy has served as an instrument to promote macroeconomic stability and the sustainability of public finances. Improvements in tax administration and the impact of the implementation of the 2012 tax reform led to an annual average increase of 7.8% in tax revenues in the 2013-2017 period, reaching \$2.15 billion at the end of the period (16.4% of GDP). However, the consolidated public sector deficit rose slightly from 2.2% in 2015 to 2.4% in 2016 as a result of the increase in public investment and the deficit of decentralized institutions.

For its part, the Nicaraguan banking system has been characterized by good financial performance, high credit quality and stable liquidity conditions. Between 2011 and 2017, the dynamic of deposits reflected a slower growth rate, falling from 17.6% to 9.0%, accompanied by growth of credit and financial investments. On one hand, credit expansion fell from 19.7% in 2011 to 14.7% in 2017; while investment moved from 14.6% growth to 12.2% over the same period. This behavior suggests more comprehensive risk management, whose results are apparent, not only in the reduction of the nonperforming loan portfolio, which fell by 1.3% up to settle at 0.9% of the total, but in the levels of provisions, which exceed the regulatory requirements of the Superintendence of Banks and Other Financial

Institutions (SIBOIF), increasing from 91.7% to stand at 246.4% of the nonperforming loan portfolio. Consequently, the results of the more prudent management have favored economic performance. On one hand, return on equity grew by 1.8% to settle at 28.4%; while the profitability of assets rose from 2.5% to 3.2%. In general terms, the results of the Nicaraguan banking system reflect the dynamic of economic growth, which has been strengthened by the confidence of investors and improvements in the business climate. Additionally, the banking sector has been gradually strengthening its legal and normative framework by means of implementing the provisions of Basel III, as well as a focus on money laundering and terrorism financing.

Nicaragua has made significant progress in poverty reduction, showing a positive trend related to the human development strategy implemented by the government. According to data published by the National Institute of Development Information (INIDE), total poverty stood at 31.8% in 2016. Of this percentage, 24.9 p.p. correspond to poverty in general terms (48.3% in 2005 and 29.4% in 2014) and 6.9 p.p. (17.2% in 2005 and 8.3% in 2014) correspond to a state of extreme poverty. In other words, 25 of every 100 Nicaraguans live in poverty and 7 in extreme poverty. The poverty gap reflects how impoverished poor people are and, therefore, provides an idea of the depth of the consumption deficit that defines poverty. On the other hand, the “depth” of the poverty (general poverty) indicator improved from 8.1% in 2014 to 6.9% in 2016; while extreme poverty fell from 1.7% to 1.4% in the same period. Likewise, the poverty “severity” indicator improved from 3.2% to 2.7% for general poverty, and from 0.6% to 0.4% for extreme poverty, in the same period. People who are below the general poverty line are defined as those whose annual consumption expenditure is lower than C\$18,310.9 and those who reported consumption of less than C\$11,258.9 are extremely poor. However, the UNDP human development index ranks Nicaragua 124/188 globally, with a 0.645 level, above the 0.631 average for medium human development countries, but below the average of 0.751 for Latin America and the Caribbean. 19.4% of the Nicaraguan population (1.1 million people) is multidimensionally poor, and 14.8% lives in conditions close to multidimensional poverty.

The authorities’ commitment to social issues is reflected in the allocation of public funds; Nicaragua is third place in Central America with regard to investing resources in the sector. The country devotes 10.6% of GDP to social spending, distributed as follows: 4.11% for education; 3.39% for the health sector; 2.29% for housing and community services; 0.6% for social protection; and 0.21% for recreational activities. One of the areas where Nicaragua invests most is in education, which recently allowed the country to obtain US\$55.0 million financing to impel the Alliance for the

Educational Quality Project, whose primary target is to improve the pedagogical practices of preschool, primary and secondary teachers at a national level. Nicaragua has made a noteworthy commitment to promote gender equality policies and women’s leadership, to foster their integration and participation in all public spheres while publicizing their contributions to the country’s development processes.

Nicaragua has made progress on its environmental performance, in spite of entering international environmental initiatives behind schedule. Although the country is rated 115 of 180 in the Environmental Performance Index (EPI) it has improved by 6.82% during the last decade with a score of 64.19 of 100. Likewise, the EPI indicates that the country is positioned 26 of 30 in Latin America, showing ample room for improvement. On the other hand, the 2016 report on Nicaragua’s Post Drought Socio-Environmental Crisis affirms that the country is facing its deepest environmental crisis in recent history: between 2011 and 2016, there was a loss of 36,000 hectares of forest cover, and the country experienced a loss of water in the main hydric sources, such as the Cocibolca and Xolotlán lakes and in the Coco, Grande de Matagalpa and San Juan rivers. The report proposes three action plans: Integral Water Resources Management Plan; National Plan for Sustainable Forest Management; and National Plan for Climate Change Adaptation.

In this context, the signing of the Paris Agreement on climate change by Nicaraguan authorities on October 17, 2017, is a reflection of the country’s interest in addressing global warming and its effects through an international instrument by joining one of the most important environmental achievements, given its global reach and its long-term objectives. Among other things, the agreement contemplates facilitation of funding for related programs and projects. In addition, Nicaragua has implemented environmental follow up and evaluation mechanisms required by CABI and other multilateral organisms for the approval of loans; many of these include an obligatory compliance component in the framework of the Bank’s policy and its environmental and social strategy.



SECCIÓN
IV

NICARAGUA

2013-2017

The development of infrastructure has led to Nicaragua's consolidation as the fastest growing economy in Central America during the last decade, with CABEI playing a significant supporting role. The growing and sustained growth of the Nicaraguan economy has been the result of the country significant effort to increase infrastructure investment, especially in the transport and telecommunications sectors. In the 2013-2017 period, this investment averaged 5.9% of GDP, greater than the averages registered by the rest of Central America (3.9% of GDP) and Latin America (2.8% of GDP). This would support the IMF conclusions regarding the contribution of infrastructure to the improvement of total productivity and improvement in the competitiveness position. Likewise, Nicaragua's global competitiveness index reflects the improvements made by the country; in the past five years the country moved from 108 (out of a total of 140) to 93 (out of a total of 137); the pillars of greater progress are linked to infrastructure, the macro-economic environment and human capital.

These efforts led to the country's average economic growth of 4.1% between 2008 and 2017, when Central America grew on average by 3.1% and Latin America and the Caribbean by 2.0%. In this context, CABEI has played a significant role as a provider of resources for the development of Nicaragua, which has been reflected in a rising trend in the loan portfolio. This has grown at an average annual rate of 8.8%, doubling in nominal terms from \$457.3 million in 2008 to \$965.3 million in 2017, expanding Nicaragua's

participation in the Bank's total portfolio from 10.7% to 14.1%. This is in line with the objective defined in the Bank's constitutive mandate to promote the economic integration and balanced economic and social development of the Central American region.

IMPACT OF CABEI OPERATIONS

The development interventions approved for Nicaragua made a contribution to development that was higher than the Bank's average in the 2013-2017 period. According to CABEI's I-BCIE development impact index (ex ante) of its operations, Nicaraguan approvals reached a consistently higher average annual level during the five-year period from 2013-2017, averaging 79.5 points during the period compared with the Bank's overall 73.0 average. The country's high I-BCIE level of operations was almost the norm when viewed by focus area, with the areas of Productive Infrastructure, Energy and Rural Development and Environment most outperforming the rest of the Bank.

The impact of CABEL operations in contributing to development reinforced the Bank's institutional relevance as the country's strategic ally.

During the 2013–2017 period, the Bank's operations supported economic growth by providing a significant percentage of the country's infrastructure investment. Indeed, with regard to productive infrastructure, CABEL contributed to 47.1% of road construction and to 18.1% of the rural road maintenance. Likewise, its flow of disbursements represented the 23.0% of FDI. With respect to human development, 33,202 new connections to the potable water network were made, representing 72.2% of connections on a national level, among others.

APPROVALS AND DISBURSEMENTS

During the five-year period from 2010–2014, CABEL contributed to strengthening Nicaragua's social development, competitiveness and regional integration.

The Bank approved 27 operations amounting to \$1.7 billion, which represented 19.7% of approvals to the region during the five-year period, from which, 97.0% (24 approvals totaling US\$ 1.70 billion) was distributed to the public sector, and 3.0% (3 approvals totaling US\$53.0 million) to the private sector. The Bank disbursed US\$947.8 million, 58.0% (US\$549.6 million) to the public sector and in 42.0% (US\$398.2 million) to the private sector, representing the 12.6% of disbursements during the 2013–2017 period.

The Bank's operations contributed to financing the Nicaraguan development priorities, generating impacts through the six focus areas defined in the CABEL Institutional Strategy.

The approved operations concentrated on the focus areas of Productive Infrastructure, Energy and Human Development and Social Infrastructure, amounting to US\$1.6 billion, equivalent to the 94.8% of the total. On the other hand, areas that obtained most of the disbursements were Productive Infrastructure, Human Development and Social Infrastructure and Services for Competitiveness with a total of \$658.4 million, which represents a 69.5% of the total.

The approved productive infrastructure loans for Productive Infrastructure will allow greater local and regional physical integration, leading to lower land and maritime transportation costs and to greater competitiveness of the productive sectors.

CABEL approved nine operations on the order of US\$ 815.0 million to strengthen highway infrastructure. Some of the approved projects are the "VII Program of Highway Improvement and Rehabilitation," the "Project to Improve Rural Roads and Roads that Connect to the Nicaraguan Caribbean," the "Rehabilitation Project for the Juan Pablo II Track and Construction of Overpasses." US\$283.7 million was disbursed for productive infrastructure, representing 29.9% of the total; this area received the highest disbursement amount.

For the area of Energy, loans were focused on changing the energy matrix through generation, transmission and sustainable distribution of power at local and regional levels.

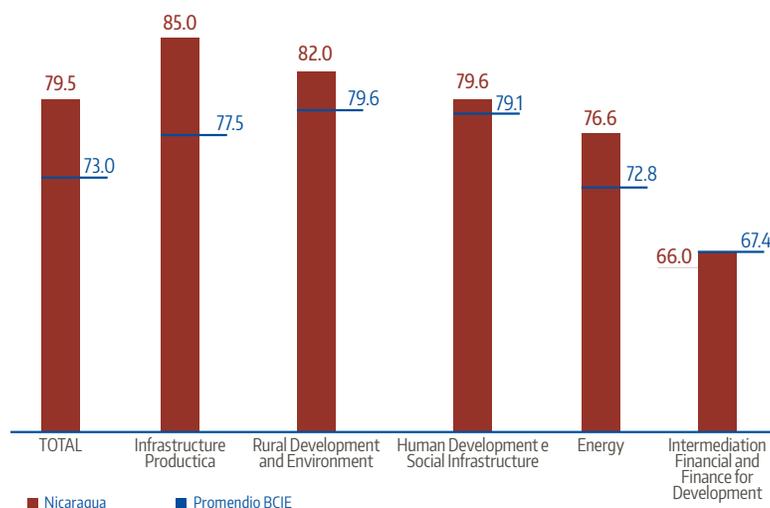
CABEL approved five operations on the order of US\$ 479.0 million to promote projects focused on strengthening energy quality and supply. Some of the projects approved in this area are the "Sustainability Program for the Nicaraguan Electricity Sector," "El Barro Hydroelectric Plant," and the "La Sirena Hydroelectric Plant Project." Regarding disbursements, CABEL channeled \$105.2 million, representing a 11.1% of the institutional total.

The interventions approved in the area of Human Development and Social Infrastructure aimed at improvement and supply of water and sanitation services, health coverage, infrastructure and the hospital medical team.

In line with the Bank's priority of strengthening the region's social development, CABEL approved seven interventions for a total of \$363.8 million to support human development and social infrastructure. The initiatives promoted during the five year period targeted improving the conditions of life of the inhabitants, through funding for the development and execution of public investment in social infrastructure projects. Among the approved operations is the "Project to Replace and Equip Hospital Carlos Roberto Huembes," the "Project to Improve and Expand the Water Supply and Sanitation Systems in 19 Cities," and the "Project to Construct and Equip the Chinandega Departmental Hospital." In the framework of this same area, disbursements amounted to US\$ 201.3 million, representing 21.2% of the total.

GRAPH I.

I-BCIE for Nicaragua and the total average, by focus area (2013 -2017)



Source: CABEL

In the area of Financial Intermediation and Development Finance, operations will contribute to economic growth and capitalization through intermediation and expansion of the local financial system.

CABEI approved three operations for a total of \$53.0 million to promote initiatives aimed at the support of liquidity and the expansion of the financial system. The approved operations include the expansion of the Global Credit Line (GLC) to Banco Lafise, Bancentro and Banco Ficohsa Nicaragua S.A.. Disbursements totaled \$126.0 million, which represents a 13.3% of the total.

In the area of Rural Development and Environment, approved interventions focused on promoting agricultural productivity, sustainable livelihoods, and the fight against climate change.

CABEI approved two operations for a total of US\$38.0 million to promote rural development and environmental sustainability. The projects approved in this area are the “Program for Adaptation to Market Changes and the Effects of Climate Change” and the “Project for Sustainable Livelihood Development of Rural Families in the Dry Corridor of Nicaragua (NICAVIDA).” In the framework of this same area, disbursements amounted to US\$58.2 million, representing 6.1% of the total.

CABEI funded projects in addition to the planning set out in “Nicaragua Country Strategy (2013-2017).”

During this period, the Bank has proven to be flexible in order to accommodate changes in the country's priority needs and financially sound enough to assume increased requirements related to the projects to be executed. These characteristics enabled the Bank to enhance its operational efficiency in the process of managing its interventions, as demonstrated by its over compliance with the financial programming for the period 2012-2017, which had been estimated at US\$ 1.43 billion; the focus area with greater participation was Human Development and Social infrastructure, with 44.0% of the total amount (See Annex II). The 2017

numbers indicate that the amount was 40.2% higher, or US\$574.2 million more than the estimated amount. It is important to note that this investment focused on Productive Infrastructure, Energy, and Human Development and Social Infrastructure.

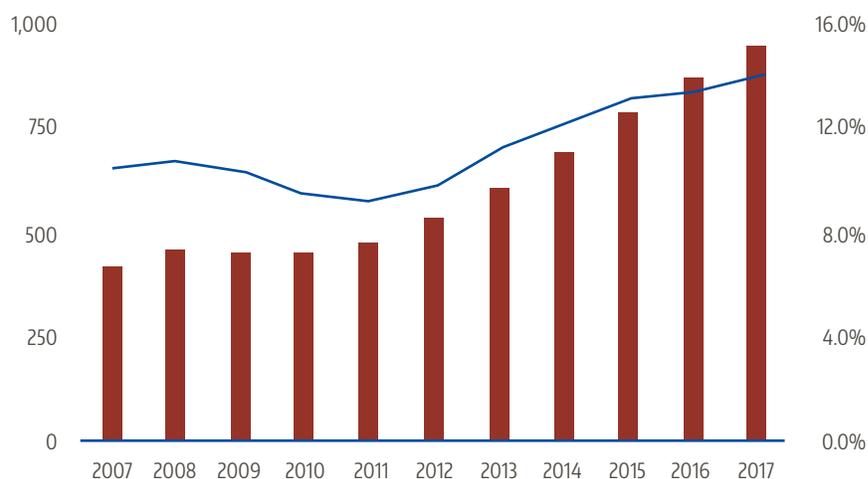
Likewise, some projects were not included in the original planning, but were considered of great importance for the development of the country and became an opportunity for CABEI to contribute and consolidate its position of relevance in the country. Noteworthy projects include the “Sustainability Program for the Electricity Sector of Nicaragua,” the “Project for the Improvement of Rural Roads and Highways with Connection to the Nicaraguan Caribbean” and the “Project for the Improvement and Expansion of Potable Water Supply and Sanitation Systems in 19 Cities,” which together amounted to US\$406.0 million in the period analyzed. The attention of such projects

TABLE II.
Approvals and disbursements by focus areas 2013-2017
(Millions of dollars and percentages)²⁰

FOCUS AREA	APPROVALS			DISBURSEMENTS	
	Numbers	Amounts	Percentages	Amounts	Percentages
Productive Infrastructure	9	815.0	46.6	283.7	29.9
Energy	5	479.0	27.4	105.2	11.1
Human Development e Social Infrastructure	8	362.8	20.8	201.3	21.2
Financial Intermediation and Finance for Development	3	53.0	3.0	126	13.3
Agriculture and Rural Development	2	38.0	2.2	58.2	6.1
Industry, Urban Development and Services for Competitiveness	0	-	0.0	173.4	18.3
Total	27	1,747.8	100.0	947.8	100.0

Source: CABEI.

GRAPH II.
Evolution of the CABEI portfolio in Nicaragua
(Millions of dollars and percentage of total)



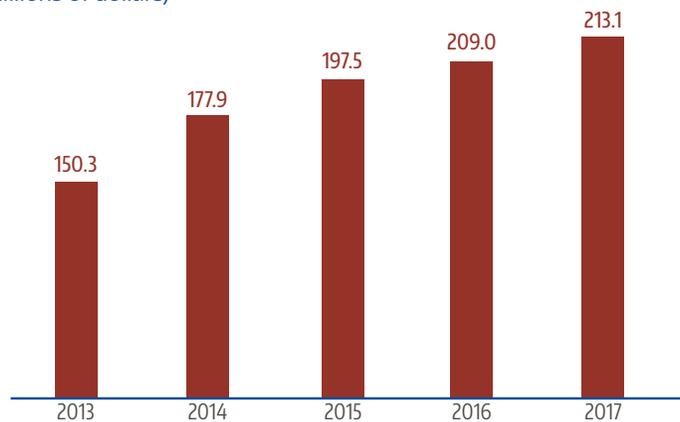
reaffirms the degree of institutional maturity to expand the scope of attention towards strategic initiatives that enable the member countries to promote development. It should be noted that 55.6% of the initially proposed projects were approved with a value of US\$715.6 million, which was equivalent to 50.2% of the total amount projected and 35.4% of the amount that was effectively approved at the end of the five-year period.

CABEI has contributed to macroeconomic stability by supporting the Central Bank of Nicaragua. In the framework of the Liquidity Contingency Credit Program of the Central Banks of the CABEI Founding Countries, in 2009 the country was benefited through the approval of a credit line of up to US\$200.0 million. Subsequently, as of 2013, under renewed conditions, the renewal was authorized within the framework of the “Credit Program to Support the Liquidity Management of the Central Banks of the CABEI Founding Countries.” The annual renewal of this line is noteworthy because, in the context of the Economic and Financial Program of the Government of Nicaragua, it reflects the commitment of the BCN to safeguard the ordered monetary and financial conditions by propping up the levels of international reserves and the trust of the general public. In this context, the consistency of the annual renewal of this operation provides an important message to economic agents, including the private business sector, by supporting the shielding of the country’s liquidity conditions, strengthening the financial safety net and safeguarding the credibility of the exchange regime as fundamental pillars of macroeconomic stability. In turn, the fact that the Central Bank has not activated the use of resources reflects to a large extent the soundness of economic performance, financial stability, and importance of liquidity management as a precautionary policy.

In terms of disbursements, CABEI channeled resources to Nicaragua during the 2013-2017 period for an amount of US\$947.8 million. A trend that shows a continuous growth during the last 4 years has been observed, except in 2017, given the particular regional and institutional context that caused readjustments in the Bank’s operations. However, Nicaragua increased its participation in the total disbursements executed by the Bank, going from 10.4% in 2013 to 14.7% in 2017, which is in line with the target range of disbursements

proposed in the 2013-2017 country strategy (12.0% -15.0% of total institutional disbursements). In this sense, Nicaragua is shown as one of the member countries with greater solidity and streamlining in the execution of its works, which results in a high degree of efficiency and greater space for the Bank’s participation in the country’s development.

GRAPH III.
Disbursements 2013-2017
(millions of dollars)



Source: CABEI.

TABLE III.
Disbursements by Economic Activity 2013-2017
(Millions of dollars)

ECONOMIC ACTIVITY	AMOUNT
Building	386.0
Financial and insurance activities	117.6
Supply of electricity, gas, steam and air conditioning	105.2
Health	83.2
Commerce	71.5
Water supply; wastewater evacuation, waste management and decontamination	69.0
Agriculture, forestry and fishing	55.6
Monetary intermediation	29.4
Manufacturing industries	10.6
Other economic activities	19.6

* Activities were grouped based on the International Standard Industrial Classification (ISIC).
Source: CABEI.



STRATEGIC OFFER FOR

SECCIÓN
V

NICARAGUA

IN THE 2018-2022 PERIOD



FUNDAMENTALS OF THE STRATEGY

CABEI bases its strategic institutional management on the commitment that emerges from its constitutive mandate. It instructs the Institution to promote the integration and balanced economic and social development of the Central American region, for which the gradual closing of portfolio gaps between countries is sought. In this context, the Bank operates this mandate through the guidelines of its institutional strategy, which serves as a general roadmap for the orientation of the strategic offer to Nicaragua. CABEI recognizes the growing investment spaces in the country, the outstanding capacity of execution of the operational units in charge of the projects and the increased absorption capacity of the economy. Given these conditions, it is expected that the sustainability of this level of investment will contribute to fostering the economic and social development of Nicaragua .

In addition, CABEI has incorporated into its medium-term vision for Nicaragua, several fundamental aspects that the Government is pursuing strategically:

- **Economic Dynamic:** The orientation of the Government's policy on economic matters points to the consolidation of stable economic growth, which contributes to the generation of employment and the reduction of poverty and inequality levels. In this regard, it is expected to promote the development of social, transportation, energy and productive infrastructure as a means to lay the foundations of a productive transformation characterized by sustainability and inclusiveness. To support this commitment, the strengthening of the relationship between the Government, private enterprise and workers' associations is foreseen as a strategy of social cohesion for development.
- **Fiscal Sustainability:** Prudence in the implementation of fiscal policy and the condonation of external debt are generating greater capacity for payment and public indebtedness, which reduces Nicaragua's vulnerability to external shocks. In the context of a tax reform, in terms of tax policy, the Government will evaluate the performance

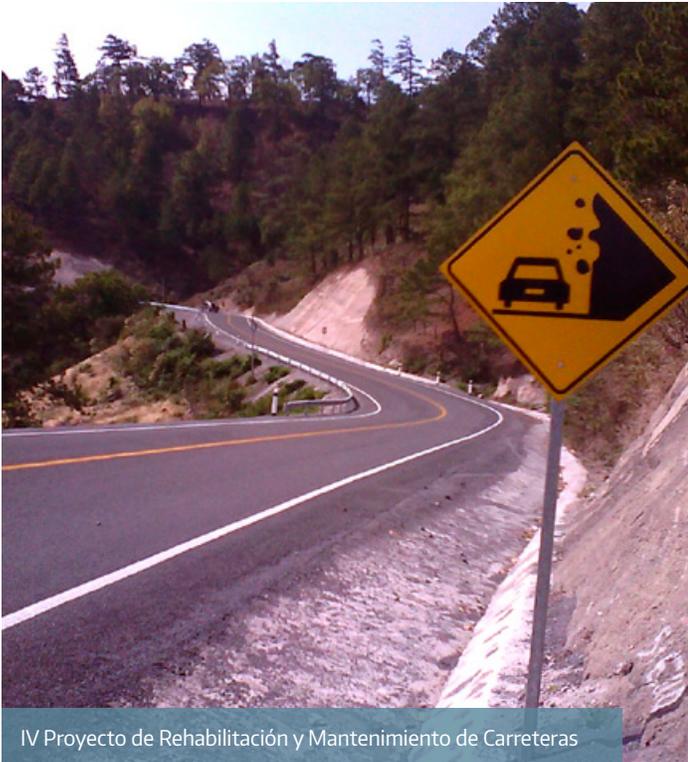


and application of the Tax Concertation Law (LCT) and its Regulation. In addition, the exemption and exoneration policies will be streamlined, and the management and information processes of the integral tax administration will be modernized. Likewise, subsidy programs will be maintained and adapted, prioritizing those with the greatest impact and social profitability and promoting those that develop the productive potential of poor families by means of increasing of human capital and productivity. At the same time, it will promote private investment in priority sectors such as energy and mining, industry and communications and tourism, which will help increase the productive capacity of the country. With regard to spending, public spending efficiency will be prioritized.

- **Structural changes in the energy sector:** A change in the energy matrix remains a key objective for reducing the country's vulnerability to external shocks. To this end, actions have been taken to reduce technical and non-technical losses and standardize the electric service to users in unprotected neighborhoods, providing the inhabitants with a safe and reliable electrical system. In particular, CABEL has supported Nicaragua during the last five years through the approval

of interventions aimed at reconverting the energy matrix by reducing dependence on thermal sources, within the sustainability initiatives of the electricity sector promoted by the authorities. In addition, CABEL has approved projects aimed at increasing supply and reducing the operational deficit of the national electricity system during peak hours, as well as to generate annual savings for the country by reducing oil purchases. Other approved projects have focused on rehabilitating and modernizing generation equipment in order to promote efficiency and improve the indicator of power generation as well as extend the use of renewable generation activity within 25 years.

- **Master Urban Development Plan for Managua:** Together with the support of the Japan International Cooperation Agency (JICA), the capital city hall has developed a planning instrument to direct its orderly growth towards a metropolitan model. The main axes of the new planning instrument aim to develop the commercial area surrounding the municipality's historic center and the Masaya highway. In addition, the industrial areas will be developed around the airport and along the Pan-American Highway. Specifically, noteworthy initiatives in the proposals include a reordering of



IV Proyecto de Rehabilitación y Mantenimiento de Carreteras

the collective urban transportation routes; the vertical growth of the city through the redevelopment of new residential areas with the construction of multifamily buildings; the rescue and promotion of the traditional historic center; and the creation of financial and urban centers and subcenters. In this context, CABEI has collaborated through financing for the “Rehabilitation Project of the Juan Pablo II Runway and Construction Projects of Overpasses.” Likewise, as part of the highway rehabilitation and construction program, CABEI is financing the improvement of the highway stretch Nejapa - El Crucero, which is part of a larger initiative .

- **Integral Development of the Gulf of Fonseca:** This initiative stems from the will of the countries to convert the Gulf into a zone of trinational economic and social development. The initiative aims to develop investment projects (including infrastructure, energy and ports) and implement an employment area and a logistics park for the coordination of a zone for free trade and sustainable tourism that operates under a legal framework that is in line with the special economic zones. In order to achieve this task, coordinate efforts with multilateral organizations and representatives of the private sector have been planned. In this context, CABEI has been designated by the authorities of the participating countries as the coordinating financing entity for the formulation of a master investment project plan for the Gulf area. Given this designation, the Bank has provided resources,

including non-reimbursable technical cooperation to finance the preparation of studies denominated “Master Plan for Investment Projects and Trinational Economic Development for the Gulf of Fonseca,” which arise from CABEI’s Technical Cooperation Fund (FONTEC).

- **Port Infrastructure:** The interest of the Nicaraguan authorities in expanding port capacities derives from the challenges imposed by the growth of economic activity. As Nicaragua has strengthened higher levels of foreign trade, the port capacity has seen the need to make immediate investments in infrastructure and logistical equipment in the Pacific area, as well as the construction of a port exit in the Atlantic (Corinto, Bluefields and San Juan del Sur). The objectives of the authorities are focused on expanding accesses and port infrastructure and equipment in order to be more competitive with respect to other ports in the region, as well as to improve the conditions in the ports that support tourism in order to increase national and foreign tourism and obtain higher income, always seeking to achieve financial sustainability. To date, Nicaragua has already requested a loan from CABEI to carry out the “Project to Improve the Technical Capacities of Puerto Corinto 2018-2032,” which could amount to US\$136.0 million. In addition, the Bank has granted several loans to connect the Caribbean Coast with the Pacific in the city of Bluefields and is contributing partial financing (in conjunction with the Republic of Korea) for a sanitation project in the city in which construction for the deep-water port has been planned.

REFERENCE FRAMEWORK

The 2018–2022 Nicaragua Country Strategy has been designed considering the development priorities of the country, the strategic institutional approach and the main elements of the global development agenda. In order to strengthen the relevance and positioning of CABEI’s value offer in Nicaragua, the Country Strategy takes as a reference the axes of the 2018-2021 National Human Development Program (PNHD), which mainly considers the promotion of social development, socio-productive growth with employment generation and prosperity for the fight against poverty and reduction of inequality. (See Annex III and Annex IV). Similarly, the Country Strategy is strengthened through the incorporation of the main elements of the global development agendas, particularly with regard to the Sustainable Development Goals (SDGs)

STRATEGIC OBJECTIVE

CABEI's strategic proposal for Nicaragua is aimed at fostering inclusive economic growth that is capable of generating quality jobs and reducing poverty and inequality, while in harmony with the environment and gender equality. Nicaragua seeks to preserve a stable macroeconomic framework that stimulates national and foreign private investment, which will enable a greater distribution of wealth and thereby reduce the inequality gap, in addition to guaranteeing the stability of the goods and services market and the financial market, as well as a control over inflation. In this sense, CABEI will promote interventions in areas that are in line with the axes of the PNDH in order to support sustained and inclusive growth and development that is in line with the Bank's cross-cutting interests, while highlighting the importance of environmental sustainability and adaptation to climate change; inclusion of special interest groups; and promotion of leadership and the role of women in the economic and social fields.

The Country Strategy aims to consolidate the relevance of CABEI as a strategic ally for the development of Nicaragua. In view of the challenges presented by the country's development needs and priorities, and given the opportunities presented by the growing dynamics of economic growth and the absorption capacity demonstrated by the country, CABEI's value proposal will aim to strengthen and expand the contribution to the well-being and quality of life of Nicaraguans. In addition, the Bank plans to increase approvals and portfolio balances, provide a positive net flow to the public sector and position itself as the main multilateral source of development resources and as the main support for the Medium Term Budgetary Framework defined by the authorities.

In coordination with the Government of Nicaragua, CABEI will direct its operations towards projects and programs that contribute to the sustainability of more far-reaching economic growth. Nicaragua has evolved from a basic economic growth of 3.0% annual average during the 1990-2009 period to a more robust trend of 5.2% annual average so far in the 2010-2019 decade. However, the Government of Nicaragua has been making the structural changes necessary to achieve poverty reduction at a higher speed, which requires a higher level of growth. In this context, CABEI's specific objective is to contribute to the greater

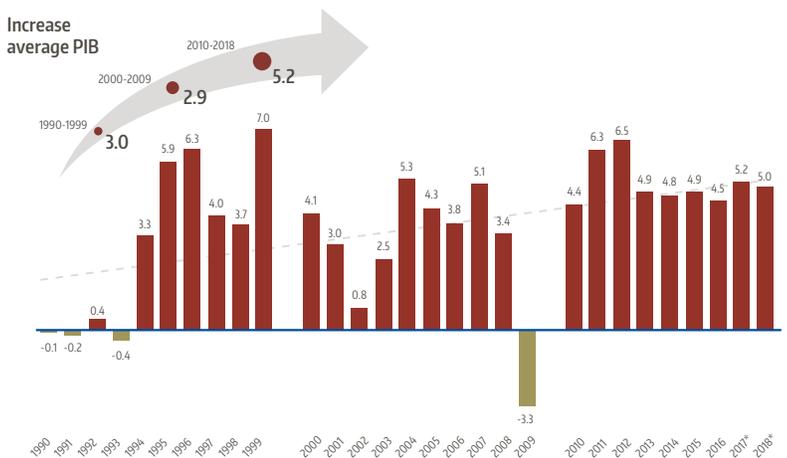
dynamism of the Nicaraguan economy, with operations focused on the sectors with the greatest social impact and added value.

The country strategy is an operational instrument with the flexibility to make adjustments in a changing environment. Within the framework of the definition of its focus areas, the Bank recognizes the challenge of maintaining continuous operational flexibility, mainly due to the complex regional and global context. In this sense, it is important to highlight that, although this strategy constitutes a roadmap, the approaches are, to a certain extent, indicative of the actions that the Bank wishes and may have in the country. For this reason, in a permanently dynamic and volatile context, the planning can be adjusted to respond in a timely manner to the requirements, contingencies, and express requests of the Nicaraguan authorities.

FOCUS AREAS – MAIN STRATEGIC INITIATIVES ⁴²

In the framework of the proposal for Nicaragua, CABEI makes available a programmatic offer structured by focus areas. This proposal clarifies the course and facilitates decision making to approve strategic initiatives aimed at the attention of the country's development priorities. This section presents a brief characterization of the main general issues that the country would be addressing through the axes of the PNDH, as well as an orientation of initiatives that the country could work on jointly with CABEI; the initiatives must be in line with the focus areas involving institutional expertise.

GRAPH IV.
Growth rate of Gross Domestic Product
(Percentage)



* Data correspond to the upper limit of the estimated growth range.
Source: Central Bank of Nicaragua.



The Nicaraguan authorities highlight the importance of strengthening efforts to comply with the strategic axis of Regional Integration. In compliance with its constitutive mandate, the Bank will continue to support the economic integration efforts of the Central American region through the financing of initiatives supported by the SICA institutions and the Nicaraguan authorities in order to contribute to the development and inclusive and sustainable growth of the area. These interventions are aimed at the logistical development of the Gulf of Fonseca area; to increase the efficiency of the regional energy market, through the expansion of the Electric Interconnection System of the Central American Countries (SIEPAC); to the strengthening of the regional economic infrastructure, through the port connection with the Caribbean Coast. In addition, the initiatives will be aimed at the development of the customs and highway infrastructure; strengthening the southern tourist zone (Costanera Highway); increasing Resilience to Climate Change in the Central American Dry Corridor and Arid Zones of the Dominican Republic; and promoting enterprises, through the Regional Competitiveness and Sustainability Program for the Tourism MSMEs .

CABEI'S VALUE PROPOSAL WILL AIM TO STRENGTHEN AND EXPAND THE CONTRIBUTION TO THE WELL-BEING AND QUALITY OF LIFE OF NICARAGUANS.



Proyecto de Construcción y Equipamiento del Hospital General de la Zona Occidental de Managua



HUMAN DEVELOPMENT AND SOCIAL INFRASTRUCTURE

The Nicaraguan authorities aim to develop initiatives that lead to the expansion of coverage and quality in access to basic services; as well as the integral approach of gaps in complementary aspects of great relevance. To achieve this goal, the axes of the PNDH aim at the exhaustive treatment of the challenges of the education sector, including investment in infrastructure, the training of teachers; updating of the curriculum and educational offer; revision of the evaluation system; incorporation of the use of technology and research; as well as, the articulation of the educational system in all its levels. Regarding the health sector, the authorities propose to continue expanding the care capacities of regional hospitals, the technological incorporation in services, the installation of clinics and health insurance under a public-private scheme, the expansion of the Family Health and Community Model, the improvement of mortality indicators; as well as, the development of attention programs for special interest groups. For its part, the potable water and sanitation sector will continue to focus efforts on the universal and equitable provision of the service; the improvement of the quality of potable water for consumption; and the promotion of shared responsibility in the production, use and sustainability of systems. Meanwhile, with respect to the housing sector, it is expected to continue supporting the construction of affordable housing for low-income families.

CABEI will place special emphasis on projects aimed at the construction and equipment of sector infrastructure with the aim of contributing to reducing the intensity and incidence of deprivations experienced by Nicaraguan households in terms of coverage and quality of basic services. Initiatives that promote efficiency in the integral management of the components of education, health, potable water and sanitation, social housing, and urban planning will be financed. In this context, CABEI could support the development of water and sanitation infrastructure in different cities of the country according to the express interests of the authorities. Additionally, it could participate in the initiative for the treatment of wastewater in the metropolitan area of Managua and the municipalities of Ciudad Sandino and Tipitapa; as well as in the design and implementation of a program for the environmental sanitation of the south shore of Lake Xolotlán. Likewise, with the purpose of contributing to the reduction of the housing deficit, CABEI could support the authorities in the implementation of the new stage of the family housing program. Furthermore, the Bank will be able to participate in the social programs focused on the regions of greatest poverty that the Government of Nicaragua has prioritized in its anti-poverty strategy. In this context, the Bank may provide concessional financial assistance to achieve the goals of targeted social programs.



PRODUCTIVE INFRASTRUCTURE

The Nicaraguan authorities aim to strengthen and close the existing gaps in logistical and strategic infrastructure as a means to promote competitiveness and productivity. For this purpose, the development of road, port, airport, railroad and border crossing initiatives that contribute to the integration of the national territory is expected. The country also plans to expand the infrastructure at the municipal level and strengthen a public transportation system that is safe, affordable, accessible and sustainable. These issues are extremely relevant for contributing to the development of competitiveness and productivity, while complementing and enhancing the benefits of the social infrastructure that would be developed during the five-year period.

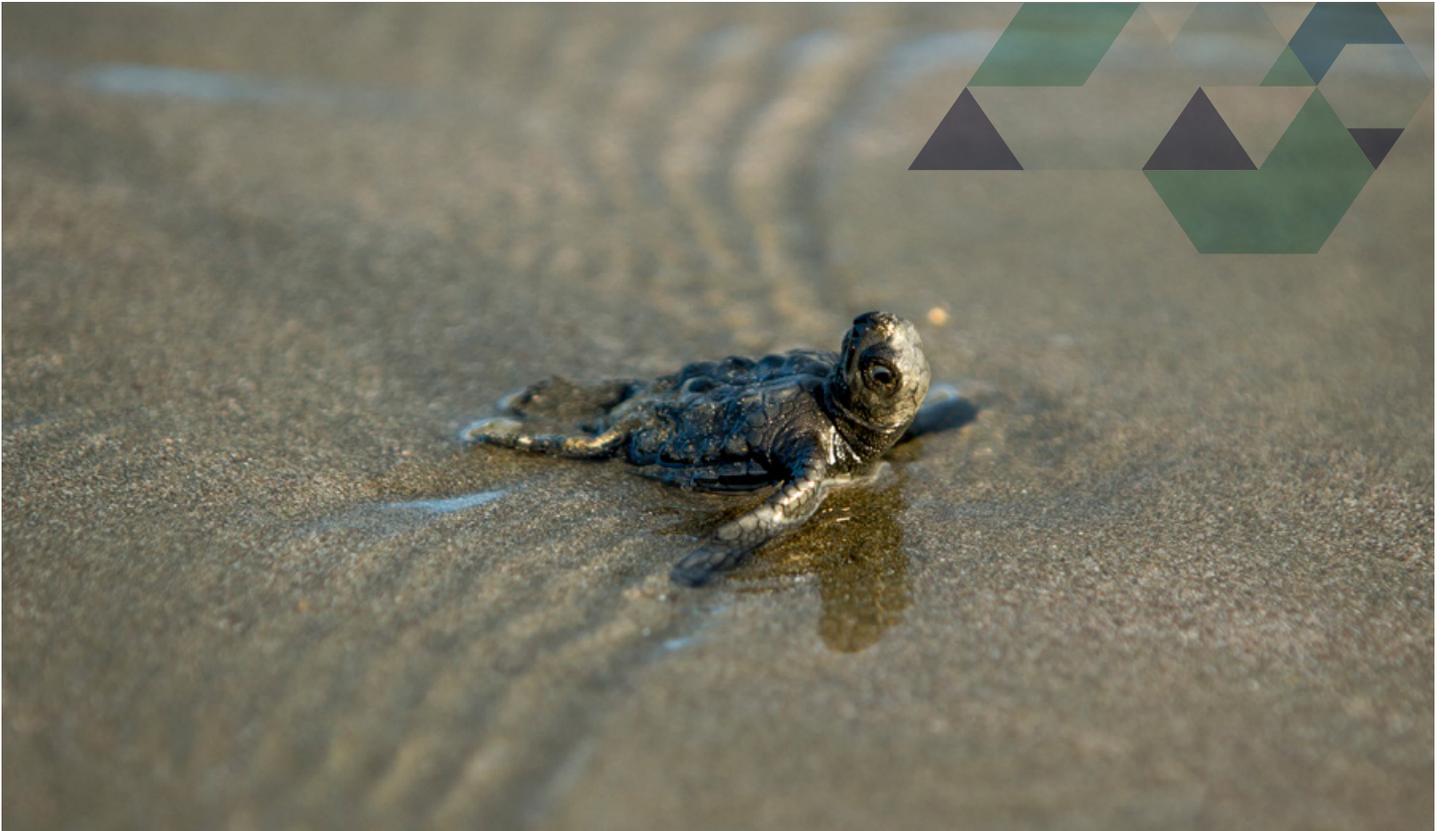
CABEI will be able to support efforts to increase the potential and productive capacity by means of the construction and equipment of infrastructure that supports the convergence to greater stages of productive growth. Depending on the requirements of the authorities, CABEI would have access to the development of road, port, airport, and logistical infrastructure; as well as the catalyzing of resources for projects that contribute to the fulfillment of the overall objectives and results of the development plan and its sector strategies. In this regard, in accordance with the interests of the authorities, the Bank could participate in the construction of infrastructure to improve connectivity for international trade and access to local markets, in addition to the construction of the Pacific Coast Highway infrastructure. It is also important to highlight the willingness of the authorities to promote a qualitative leap in the technical and operational capacities of the port infrastructure in Corinto, as well as the international airport. Additionally, the Bank could participate in the development of a modern and efficient public transportation system in the capital city that can meet the growing demands of the inhabitants.



ENERGY

The Nicaraguan authorities plan to continue deepening efforts to ensure national coverage and efficiency. To this end, they will continue to expand the infrastructure, incorporating technological improvements and research, together with greater interaction with regional interconnection organizations. Furthermore, it is expected to continue the diversification of the energy matrix towards renewable sources, the expansion of generation capacity and the connectivity of the population of unprotected areas to the national system, as well as the strengthening of operational efficiency and national savings; this is in line with the proposals of the electricity sector's sustainability program.

CABEI could encourage the financing of initiatives that aim to contribute to national policy objectives. To this end, it would support the diversification and promotion of renewable energy sources; promote efficiency and energy saving; strengthen the interconnections with the SIEPAC, the transmission nodes, and the efficiency of the regional energy market; as well as expand the coverage and energy security of Nicaragua. Additionally, the Bank will be able to contribute to promoting the efficient use of energy sources through a clean production systems approach that allows the reduction of business segment costs. Likewise, it will be possible to provide support to small-scale energy projects for business purposes and for logistical facilities. In addition, the Bank will be able to support rural electrification initiatives and urban settlements of social interest, which will enable closing the housing coverage gaps.



RURAL DEVELOPMENT AND THE ENVIRONMENT

The authorities aim to continue developing the resilience of the rural sector and the environment in the face of the effects of climate change⁴⁴, through a gradual process of productive transformation. To this end, it is expected to continue the process of agricultural transformation and development in the context of climate change, strengthening of systems and methods of agricultural and forestry protection and health, promoting of productive resilience through the adoption of new technologies and innovation, strengthening of integral risk management systems associated with natural phenomena and strengthening of investment planning under a public-private scheme that includes disaster risk management and adaptation to climate change. Furthermore, it is planned to strengthen the implementation of policies for the preservation and sustainability of the environment and natural resources; the management and sustainable use of protected areas; and the conservation and recovery of soil, water and forests, together with the control of environmental pollution for the conservation of ecosystems and human health.

CABEI has the experience, programs⁴⁵ and resources to support Nicaragua in initiatives that promote sustainable rural productive activity, food security, environmental sustainability, as well as mechanisms for mitigation and adaptation to climate change. Faced with an environment characterized by the incidence of droughts, pests in strategic crops, deterioration of climate conditions and the environment, the Bank will make available to Nicaragua resources obtained from its accreditation as an implementing entity of the Adaptation Fund and its accreditation with the Green Climate Fund. The Bank could make an Emergency Credit Line available to the country to attend reconstruction projects for infrastructure that has been affected by natural disasters and phenomena. In this framework, the Bank will support the formulation and implementation of national and regional initiatives that contribute to issues such as the fight against drought, the management of water resources and the financing of climate change management initiatives⁴⁶.

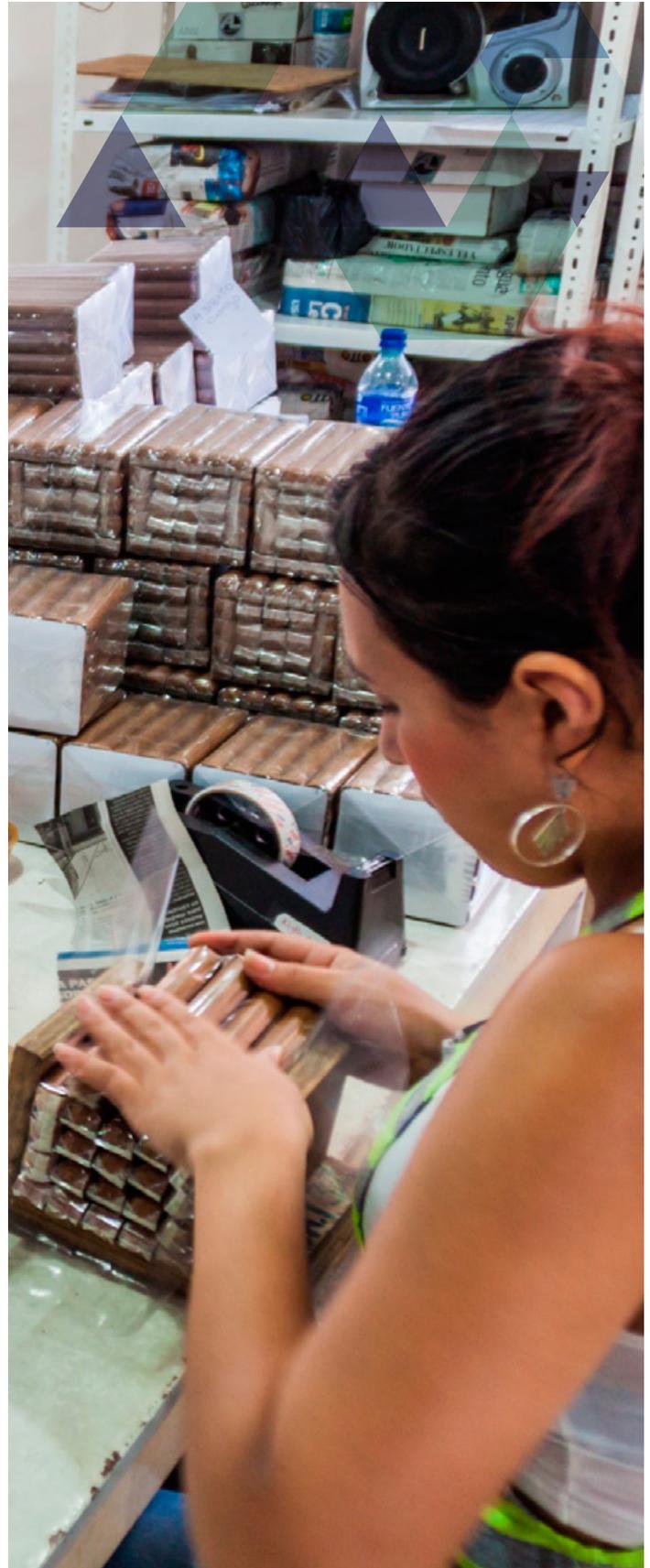


FINANCIAL INTERMEDIATION AND DEVELOPMENT FINANCE

The Nicaraguan authorities propose the productive transformation of small and medium industry and the development of new sustainable enterprises through access to financing. With this, it is estimated that the sector's structure will be transformed by means of creating conditions for access to markets and productive financing as a means to promote new ventures and increase installed capacity; this in line with the needs of the local market and the demand for exports. It also aims to promote technological improvement and the adoption of innovative methods to increase quality, productivity and competitiveness.

The Bank will support Nicaragua in developing its small and medium production that is executed in the MSME sector through its global credit line program for the regional financial system. CABEL would provide support through the channeling of intermediation resources aimed at boosting the productive sectors of MSMEs and thereby contributing to the generation of employment. This includes foreign trade initiatives, access to medium housing and the country's educational credit. In this area, the Bank has been accumulating more experience during recent years through its strategic axis of Competitiveness, in which it is expected to continue developing new intermediation programs that adapt to the needs of the population groups that are in the base of the income pyramid or that due to their particular characteristics require special attention, and that have a productive vocation.

CABEL WOULD PROVIDE SUPPORT THROUGH THE CHANNELING OF INTERMEDIATION RESOURCES AIMED AT BOOSTING THE PRODUCTIVE SECTORS





COMPETITIVENESS SERVICES

CABEI will be able to support Nicaragua by financing initiatives with a high potential to influence the competitiveness of the country, both at the private and public sector levels.

In this regard, the Bank will be able to support programs and projects related to territorial development, in those areas that are identified as priorities and that, due to their strategic importance, can be turned into poles of national development. In particular, the initiatives would have an integral perspective in which the component of income generation will be prioritized through the promotion and development of capacities in agricultural activities, fishing, tourism, merchandise and services trade, and MSMEs. Likewise, it would support the development of strategic infrastructure, and especially the initiatives that contribute to citizen security, in addition to strengthening the coverage of social services such as water, sanitation and waste treatment. Furthermore, Bank interventions could also focus on seeking support for the strengthening of institutional capacities, mainly government infrastructure linked to citizen security management,

which in turn would support the achievement of goals related to the objectives of the Central American Security Strategy (ESCA) .

For the 2018-2022 five-year period, the close relations and the constant exchange of communication between CABEI and the authorities of the country have allowed to outline an indicative pipeline of intervention lines, programs and projects. The same raises a series of interventions that have been rated as a national priority for the authorities and in which the Government would aim to have the support of CABEI so that they could be eligible for financing within the horizon corresponding to this strategic proposal.

TABLE IV.
Initiatives susceptible to financing*
 (Millions of dollars)

STRATEGIC LINES OF INVESTMENT, PROGRAMS AND PROJECTS	MILLONS US\$	PARTICIPATION
Infrastructure for Competitiveness	1,484.6	66.0
Investments in Road Infrastructure for Market Access and International Trade	584.4	39.4
Pacific Coast Road	482.8	32.5
Integral Improvement of the Operational Technical Capabilities of Puerto Corinto	136.0	9.2
Expansion of Augusto C. Sandino International Airport	135.0	9.1
Integral Modernization Program of the Public Transportation System of Managua	100.0	6.7
Transmission Capacity Expansion Program	46.4	3.1
Investments for Socioeconomic Development	625.6	27.80
Investment Program in Water and Sanitation of Cities	433.6	69.3
Potable Water and Sanitation of Metropolitan Managua, Tipitapa and Ciudad Sandino	90.0	14.4
Environmental Sanitation Program of Lake Managua in the South Bank	52.0	8.3
Housing Program of Social Interest Phase III	50.0	8.0
Investments in Climate Change	140.0	6.22
National Program of Productively Transforming Climate Change	60.0	42.9
Program of Integral Development of Irrigation in the Pacific	80.0	57.1
TOTAL	2,250.3	100.0

* Some projects have already received pre-investment CABEL resources.
 Source: Ministry of Finance and Public Credit (MHCP).

NICARAGUA COUNTRY STRATEGY 2018 - 2022





SECCIÓN VI

PORTFOLIO INTENTIONS

FINANCIAL PROGRAMMING 2018-2022

Financial programming assumptions:

- Greater capacity for expansion of productive assets based on a process of capitalization of the Bank and a normal evolution of the quality of the credit portfolio.**

The Bank has considered that its position of relevance as a provider of financial solutions for the region should be manifested in a greater capacity to expand its portfolio and meet the growing needs of investment projects and development interventions. Along this line, the strategic institutional route has defined actions conducive to creating adequate conditions that facilitate the strengthening of assets through the incorporation of new members, implementation of periodic capitalization processes by current members and deepening of efficiency in the processes, which allows the greatest generation of profits. In addition, the Bank has strengthened its operational and risk management to consolidate a business model based on sound and sustainable growth of its productive assets. As a result of the above, it is expected that the capacity of expansion of the portfolio reach a simple average of 9.1% in the 2015-2022 period (6.9% during 2007-2014).

- Constant growth of the portfolio for the following years.**

During the 2018-2022 period, the Bank's total portfolio is expected to grow 43.9%, with an annual average of 8.8%. Meanwhile, the growth of the portfolio in Nicaragua is estimated to be higher than that of the Bank, since it is expected to have cumulative growth of 63.1% at the close of 2022. With these results, Nicaragua would increase its participation to 16.0% of the total portfolio.

TABLE V.
Estimate of operations in Nicaragua 2018-2022
 (Millions of dollars)

CONCEPT	AVERAGE	ACCUMULATED
Approvals	400.0	2,000.0
Disbursement	320.0	1,600.0
Net flow	122.0	610.0
Purse	-	1,574.0
% Purse	-	16.0%

Source: OPEP estimate.

- **Economy's indebtedness and absorption capacity.** The IMF and risk agencies highlight the evolution of the sustainability profile of Nicaragua's public debt . During the last eight years, a reduction of the total ratio has been achieved (59.5% of GDP in 2009 to 44.8% of GDP in 2016), as well as the gradual recomposition towards greater hiring of external sources . Between 2009 and 2016, external indebtedness went from 73.5% to 85.0% as a percentage of total debt. For the 2018-2022 five-year period, these changes pose spaces for contracting new financing for development, under criteria of quality and efficiency, highlighting the fact that Nicaragua can now access both concessional resources and market conditions. In addition, the economic dynamism continues to be supported by the role of public policies, mainly under an articulated scheme of sector planning, which provides confidence and certainty to the business climate and the attraction of strategic investment. In the medium term, the trend of economic growth, and the rethinking of potential GDP upwards (4.5% according to the IMF), present a country with absorption capacities, as well as with growing opportunities for intervention in most productive sectors.
- **Credit risk limits of the Bank.** CABEL has sufficient margin to maintain the projected growth rate of Nicaragua's operations. The dynamics of economic development and public policies that the country has experienced in the last decade have allowed it to build and strengthen a country profile that is increasingly attractive to investments, which has been supported through aspects such as a greater presence of risk rating agencies, thereby reinforcing the country's monitoring and supervision mechanisms internationally . This evolution implies greater strength because it increases the possibilities of obtaining financing for public and private investment, through access to international institutions and investors, in market conditions. In this context, CABEL has sufficient resources to increase the exposure of its operations in the country, in line with the dynamics shown by institutional management in the country. From the perspective of CABEL's portfolio exposure limits with Nicaragua, the country has a broad margin of growth, which is equivalent to 4.5 times its current portfolio.
- **Quality of operations.** It is necessary to promote strengthening of the work scheme for pre-investment operations with the aim of evolving into better structured and more mature projects, which consequently have a greater impact. In this sense, it is necessary to continue promoting effective coordination between the public and private sectors in order to prepare a portfolio of complementary and integral projects, which increase the portfolio value by taking advantage of economies of scale that optimize resources.

GENERAL FRAMEWORK OF CREDIT OPERATIONS

- It is estimated that the credit operations stipulated in this strategy will allow the participation in the loan portfolio balances of Nicaragua with the CABEL to vary from 14.1% in 2017 to 16.0% in 2022. For this, it is necessary that the CABEL portfolio in Nicaragua grow from US\$965.3 million through December 2017 to US\$1.57 billion at the close of 2022.
- In terms of approvals, an average annual level of US\$400.0 million (US\$350.0 million in the 2013-2017 period) is estimated, with an estimated cumulative amount of US\$2.00 billion during the five-year period.
- For the disbursements, an amount of US\$320.0 million annual average is programmed for the 2018-2022 period (US\$189.6 million in the 2013-2017 period). This goal would lead to a flow of resources during the five-year period of US\$1.60 billion.



IMPLEMENTATION

SECCIÓN VII

MECHANISMS

BUSINESS MODEL

The institutional proposal for this five-year period requires promoting economic integration and balanced economic, social and environmental development, both within the country and in interactions with its regional countries. The strengthening of CABEL's value proposal requires key activities that enable it to strengthen its relevance in the region, such as the diversification of the market, services and products; and improvement of the credit risk rating to facilitate the capturing of resources in international markets.

The Bank should strengthen its resources at different levels to ensure greater impact and efficiency in its operations with the countries of the region. In the 2015-2019 period, it is necessary for the Bank to strengthen its strategic alliances and develop its human, economic and technological resources; strengthen relationships with its member countries and develop service channels; establish a sustainable financial strategy that is consistent with the five-year objectives and a portfolio of products more in line with the characteristics and needs of its members and; focus its attention on the development needs prioritized by the countries.

In order to maximize the contribution to the development of Nicaragua, the Bank will implement the Country Strategy based on the alignment defined in the Institutional Strategic Framework. In this regard, Nicaragua's strategy should guarantee flexibility and adaptability in accordance with fundamental changes in the country, always considering the objectives and goals of the institutional strategy in force. Furthermore, attention to initiatives must be executed through the instruments and mechanisms that define the sector strategic instruments as appropriate for each focus area. Likewise, the proposed five-year program should serve as a reference for the formulation of the annual operational programming throughout the period.

The approaches of the country strategy keep harmony and consistency with the objectives of the assistance provided by the main development organizations present in Nicaragua. In order to strengthen the relevance of CABEL in the context of international cooperation, the CABEL proposal will complement the actions that other donors are developing in the country, particularly in terms of economic growth, social development, competitiveness, renewable energy and climate change, among others.

CABEL will continue to offer support to Nicaragua with resources for pre-investment. The expansion of the scope of this support will strengthen the formulation of projects and the management of resources for new operations. In this regard, the

Bank will promote mechanisms that facilitate access to resources on favorable terms for the country.

The Bank will manage its human talent to increase efficiency in the process of identifying and generating development initiatives.

The availability of the offering of knowledge, experience and specialized capacities will allow a greater involvement in the design and structuring of initiatives starting from their earliest stages, in order to consolidate the institutional relevance and strengthen the impact on the development of said interventions.

EXECUTION

Subsequent to the approval of the Nicaragua 2018-2022 Country Strategy, CABEL will process the credit requests that the Government of Nicaragua makes within the framework of said planning, streamlining the times corresponding to each CABEL Country Office at each stage. Likewise, CABEL will provide the corresponding advice to the Government of Nicaragua in the process of formulating the projects, including in the preinvestment stages, to ensure the maturity of the projects before they are submitted to the Board of Directors for approval. This will reduce the likelihood of future credit defaults, changes in the Global Investment Plans (PGI), or changes in the design of the project itself.

- The Bank will implement the strategy through the corresponding country offices, in accordance with the technical guidelines of the ADS, in conjunction with advice from the Nicaraguan country office, as well as the guidelines issued by the Board of Directors, for which it could carry out the following activities:
- Promote the successive annual operational plans and strategic business plans to correspond with the strategic principles established in this strategy.
- Prioritize those operations and projects that best deepen the strategic principles and development priorities identified in this strategy.
- Encourage the design and approval of financial instruments that facilitate progress in the attention to defined focus areas.
- Propose, for its respective approval, alliances and collaboration agreements, technical cooperation and business with other institutions with the purpose of strengthening the execution of the strategy.

- Create synergies, additionality and complementarities with other cooperation organizations with presence in the country with the objective of promoting interventions in sectors in which the Bank has less presence.
- Given the possible changes that may arise in the country, maintain links with information sources at the governmental, private, financial and academic levels in order to update the Bank's strategic guidelines.

ALIGNMENT OF COOPERATION IN NICARAGUA

CABEL is a relevant strategic ally to Nicaragua within the array of cooperating institutions. International cooperation is an important component of the country's financing scheme. In this context, CABEL disbursements amounted to US\$1.57 billion in the decade from 2008-2017, showing greater dynamism during 2013-2017; a period in which they grew by 52.1% compared to the previous five-year period. As a result, CABEL's participation in the set of multilateral institutions increased from 23.8% in 2008-2012 to 31.9% in 2013-2017 .

There are opportunities to increase the impacts in the country through interventions that complement and generate synergies with interventions financed by other institutions.

Pursuant to the issues addressed by other cooperation institutions in the country, it can be observed that there are points of agreement with the offer provided by the focus areas of CABEL's 2015-2019 Institutional Strategy.

There is a sector specialization of funding sources derived from an allocation process defined by the Nicaraguan authorities. The World Bank has focused on increasing social welfare through improvements in access to quality basic services, especially for the poorest communities and increasing the country's income by improving competitive productivity and diversification . For its part, the Inter-American Development Bank (IDB) focuses on promoting the Energy, Transportation, Health and Childcare sectors; giving priority to rural areas with poverty and high potential to develop productive chains. Likewise, the European Investment Bank (EIB) has supported the improvement of electricity and renewable energy infrastructure, the provision of water and sanitation services, and is also supporting the issue of urban transportation. The Economic Development and Cooperation Fund of South Korea and the Japan International Cooperation Agency (JICA) contribute through financing to renewable energy, health, education and wastewater sanitation projects. The OPEC Fund for International Development (OFID)



stands out for its presence through projects to improve highways and roads, renewable energy and financial intermediation. In addition, the International Fund for Agricultural Development (IFAD) participates in a specialized manner on issues of climate change and sustainable rural development.

MONITORING & EVALUATION

CABEI will carry out the evaluation of the Nicaraguan Country Strategy in accordance with its current norms. These evaluations will aim to analyze the fulfillment of the objectives and goals of said strategies to infer conclusions about the institutional performance in the country and generate lessons that favor the Bank's effectiveness in the contribution to the development of Nicaragua.

Likewise, the Senior Administration will evaluate whether it will share the results of these evaluations with the authorities of the country. This practice seeks to reinforce the degree of appropriation and involvement of official counterparts regarding the fulfillment of the objectives and goals set out in said strategy. In this context, the exchange of information during the different stages of design, implementation and evaluation of strategic instruments becomes relevant because timely feedback can provide a greater number of findings regarding improvement opportunities and lessons learned that aim to accelerate institutional learning. The fine-tuning of the interaction between CABEI and the executing units of the country promotes operational efficiency by improving the formulation, identification, financing and execution of interventions for the development of greater added value and social profitability, which accelerate the transition of Nicaragua to greater development stages.



RISKS AND

SECCIÓN
VIII

MITIGANTS

The implementation of the Strategy would be subject to the evolution of internal and external factors. Execution is exposed to various risks that can generate deviations in the implementation of the strategic approach, affecting the normal development of approvals and disbursements, as well as the execution of projects and expected impact on development interventions, among other effects. In this sense, the identification and proper management of the risks is crucial. The following are some of the main risks, which may be external to the country, internal to the country and inherent to CABEL.

EXTERNAL RISKS

Volatility in important aspects of the international field. Nicaragua, like the rest of the Central American countries, faces future common risks arising from a series of changes that are taking place at the level of international policies. On the one hand, the change in the policy stance of the United States in commercial and migratory matters poses risks because the associated protectionist measures can affect the normal development of trade flows and income from family remittances; not to mention detriment to the social pressures that could derive from a massive flow of returning immigrants. On the other hand, the US's fiscal reform, which will materialize a strong reduction in taxes levied on capital, could reduce the expectations of foreign investment flows. Furthermore, the outlook for continued rises in reference interest rates suggest the possibility of higher international funding

conditions. Likewise, the revaluation of the dollar, in the context of the new US economic policy, poses risks for a number of exchange rates in the region. In addition, increasing tensions among countries in the Middle East, as well as adjustments in the pricing policies of large oil producers, can raise future prices of petroleum and its derivatives.

INTERNAL RISKS

Fiscal pressure. As a result of external factors, the volume of income from foreign trade could be limited by changes in the trend of trade with the US. For its part, public spending could be pressured by the increase in the oil bill due to increases in import prices. Given this scenario, and in order to reduce the country's exposure to possible shocks, the authorities continue to exercise fiscal discipline and diversifying the energy matrix. Additionally, there is the possibility of considering an eventual tax reform to create more maneuvering spaces with additional resources, while strengthening the focus of public investment towards interventions with a greater impact on economic growth.

Social pressure. As a result of the elimination of Temporary Protected Status (TPS) to the detriment of El Salvador, Honduras and Nicaragua, the risk of a massive return of immigrants to the region can translate into greater social pressures, including the issue of citizen security. The lack

of support programs to assist returnees could result in higher levels of unemployment; pressures in health services, education, housing; as well as in the most sensitive aspects of citizen security. This situation could affect the ability of countries to attract foreign investment. Given this scenario, it is of vital importance to establish social programs for the returning immigrants through the management of international cooperation resources in order to facilitate the reinsertion of these people into the national productive machinery. In addition, investment in security and justice, among others, must be strengthened.

Disruption of the business climate. Events that deteriorate the conditions underlying the business climate, such as the conditions of citizen security, capacity to execute public investment, legal stability, administrative procedures, transparency in public management, access to financing, provision of productive infrastructure and productivity in the labor market. In view of the opportunities for improvement in this area, it is worth highlighting the efforts of the authorities to design and implement public policies aimed at strengthening confidence in the business climate, as well as to stimulate the attraction of greater foreign investment flows in the different sectors that lead the economic activity. In this context, noteworthy are initiatives of the authorities to generate an alliance with the national private sector, as well as with foreign investors, in order to promote shared participation schemes in massive projects in the main sectors that require significant advancement regarding the provision of productive and logistical infrastructure.

Adverse natural events. Due to its geographical location, Nicaragua is a country exposed to negative impacts due to natural events, whose effects can be amplified as highly vulnerable population groups become affected. Additionally, they can significantly damage the country's productive and logistical infrastructure, which support the economic cycle activities. In this context, the palliative approach by the authorities can alter the normal execution of Bank planning by requiring a reordering of funding priorities. Likewise, the private sector could postpone or suppress their investment projects and be affected by the deterioration of the infrastructure.

To mitigate the potential impact of external and internal risks, the Bank will conduct a constant monitoring of the most relevant variables regarding the international and national situation, as well as those of relevance, assessing the impact that its evolution may have on operations with the country, so that planning can be adjusted to guarantee timely prevention measures. Likewise, the Bank will maintain mechanisms of continuous communication with the authorities of the country and will be able to provide technical support to promote improvements in the management capacity of the executing units.

CABEI RISKS

Delays in the capitalization programming. Lower levels of capitalization would imply a lower availability of loanable resources to meet the needs and development priorities of the region. Mitigants: Generation of profits and strategic alliances with other organizations.

Failures in comprehensive risk management. It refers to the materialization of events that could cause patrimonial losses to the Bank in case of failures or gaps in risk management and in the controls against money laundering and terrorism financing. Mitigants: Strengthening and application of comprehensive risk management policies and strengthening of risk management procedures and controls based on the adoption of best practices and international standards.

Reduction of portfolio recoveries goals as a result of exogenous causes. Events external to the Bank's management could have an impact on the level of recoveries programmed by the Bank, which, in turn, would have an impact on the availability of resources necessary to respond in a timely fashion to Nicaragua's disbursement requests. Mitigants: Strengthening and application of comprehensive risk management policies, especially those aimed at managing credit risk.

Deterioration in credit risk ratings. The materialization of this risk could increase CABEI's access to capital markets and sources of financing where it places its emissions. Mitigants: Strengthening share capital, geographical diversification of sovereign exposure and profit generation.

Interruptions in the Project Cycle. Delays in the processes of project formulation, approval or management, which could affect the continuity of the business. Mitigants: Strengthening operational efficiency throughout the stages of the project cycle and the mechanisms linked to the business continuity plan.

NOTAS DE REFERENCIA

SECCIÓN I

¹ Fondo Monetario Internacional (2017). Reporte de la Consulta del Artículo IV de Nicaragua, junio 2017.

SECCIÓN III

² Entre 2005 y 2015, la generación eléctrica incrementó cerca de 50.0%, mientras la cobertura pasó del 50.0% al 90.0% de la población. Comunicado de prensa, Empresa Nacional de Transmisión Eléctrica (ENATREL)

³ Entre 2005-2015 se invirtieron más de US\$1,500 millones en las actividades de telecomunicaciones e internet. Con ello se ha logrado un crecimiento anual de 6.0%, más de 350,000 líneas de telefonía fija, 8.2 millones de líneas móviles, cobertura celular en el 100% de cabeceras municipales, más de 14,000 km de fibra óptica que da cobertura al 87% de los municipios.

⁴ El FMI reconoce el compromiso de las autoridades para avanzar gradualmente en la atención de aquellos temas que contribuyan a aumentar la resiliencia contra los shocks externos y a propiciar la consolidación de la dinámica para un crecimiento inclusivo y sostenible, el cual se estima en 5.2% para 2017. Por otro lado, según los análisis del Banco Mundial, Nicaragua estaría creciendo arriba de 4.6% en 2017, por encima de las proyecciones propuestas para el resto de países de la región. Mientras tanto, la CEPAL estima un crecimiento de 4.9% para 2017 y 5.0% para 2018.

⁵ El Informe *Inclusive Growth and Development Report 2017*, publicado por el *World Economic Forum*, destaca que el modelo de desarrollo del Nicaragua es considerablemente más balanceado e inclusivo que el de otros países con similar nivel de ingreso per cápita. El informe presenta un ranking en el que ubica a Nicaragua en la posición 32 de 79 países. Esta medición dio inicio en 2015 y en un principio, no contaba con un ranking que agregara un índice que permitiera analizar la evolución entre pares ni respecto a sí mismo.

⁶ En este resultado han contribuido la Asociación Internacional de Fomento (AIF) apoyando el sector social y la Corporación Financiera Internacional (IFC, por sus siglas en inglés), el brazo para el sector privado, del Grupo Banco Mundial, apoyando con financiamiento a los sectores de energía y finanzas, mientras que el Organismo Multilateral de Garantía de Inversiones (MIGA, por sus siglas en inglés) está abierto a oportunidades para apoyar la inversión extranjera directa en energía, agroindustria y finanzas por medio de garantías de riesgo.

⁷ *Moody's Investor Service. Rating action – Moody's changes Outlook on Nicaragua's B2 rating to positive from stable; rating affirmed. July 20th, 2017.*

⁸ Con base en información de base de datos Infraestructura de América Latina y el Caribe (INFRALATAM).

⁹ Informe sobre el Desarrollo Humano 2016. Programa de las Naciones Unidas para el Desarrollo (PNUD).

¹⁰ Incluye los países del CA-5: Guatemala, El Salvador, Honduras, Nicaragua y Costa Rica.

¹¹ Fondo Monetario Internacional (2014). *Sustaining Long Run Growth and Macroeconomic Stability in Low Income Countries – The Role of Structural Transformation and Diversification*. Adicionalmente, en el informe de la Consulta del Artículo IV de 2017, el FMI señala que, en el caso específico de Nicaragua, las mejoras en infraestructura han incidido en que la contribución de la productividad total de los factores al crecimiento económico haya pasado de ser negativa en el período 2000-2009 (-1.2) a positiva en 2010-2015 (1.4).

¹² *Nica Act* o Ley de condicionamiento a la inversión nicaragüense es una iniciativa promovida en el Congreso de los Estados Unidos, que apuntaría a cambiar las condiciones del país para el acceso al financiamiento de organismos internacionales.

¹³ Se puede mencionar el aumento de la cooperación bilateral (Alemania, Taiwán, Japón, entre otros), al igual que las perspectivas crecientes del apoyo del BCIE para el quinquenio 2018-2022.

¹⁴ Si bien, los EE.UU. es el principal socio comercial, las exportaciones al mercado europeo han crecido, así como las importaciones provenientes de China (de 8.3% a 13.2%) y de las Antillas Holandesas (2.1% a 7.8%).

¹⁵ Fondo Monetario Internacional (2017). Reporte de la Consulta del Artículo IV de Nicaragua, junio 2017.

¹⁶ Cálculos realizados con base en información del Banco Central de Nicaragua. Informe de Deuda Externa. III Trimestre de 2017.

¹⁷ Datos BCIE.

¹⁸ Ministerio de Hacienda y Crédito Público (MHCP). Marco Presupuestario de Mediano Plazo (2018-2021).

¹⁹ *Ibidem*.

²⁰ Instituto Nacional de Información de Desarrollo (INIDE). Reporte de pobreza y desigualdad (EMNV 2016).

²¹ Desarrollo Humano para todas las personas, Informe sobre Desarrollo Humano 2016. PNUD.

²² Por debajo de Costa Rica y El Salvador.

²³ Gasto Social del Sector Público, por funciones. 2015. CEPAL.

²⁴ Proyecto Alianza para la Calidad Educativa. Ministerio de Educación.

²⁵ *Global Metrics for the Environment – 2016 Report*, elaborado por la Universidad de Yale.

²⁶ Crisis Socio-Ambiental de Nicaragua Post Sequia 2016. Centro Humboldt.

SECCIÓN IV

²⁷ Aprobado mediante Resolución No. DI-92/2016.

²⁸ Fondo Monetario Internacional (2017). Reporte de la Consulta del Artículo IV de Nicaragua, junio 2017.

²⁹ Con base a datos de INFRALATAM, iniciativa de la CEPAL, BID y CAF, que contiene datos de inversión en infraestructura económica en los sectores agua y saneamiento, incluyendo sistemas de riego y protección contra inundaciones; energía; telecomunicaciones; y transporte.

³⁰ Foro Económico Mundial (WEF por sus siglas en inglés). Perfil de Nicaragua en el Informe de Competitividad Global 2017-2018. Septiembre 2017.

³¹ Esta relación se mantiene desde el año 2010, cuando se inició el cómputo del indicador I-BCIE. Sin embargo, debido a cambios metodológicos en el indicador a partir del año 2013, y para circunscribir el análisis al período de la anterior estrategia de Nicaragua, el análisis incluye solo los años 2013 -2017.

³² Estimación propia con información de la Secretaría Ejecutiva Consejo Monetario Centroamericano y BCIE.

³³ Cuadro 5.2 Proyectos indicativos del BCIE en Nicaragua. En Estrategia de País Nicaragua (2013-2017), pag. 35.

SECCIÓN V

³⁴ Según estudios del Banco de Desarrollo de América Latina (CAF), América Latina debe invertir 5.0% en infraestructura para dar un salto significativo en competitividad. Comunicado de mayo de 2017.

³⁵ Marco Presupuestario de Mediano Plazo (2018-2021).

³⁶ Programa Nacional de Electrificación Sostenible y Energía Renovable para Nicaragua (PNESER), el Proyecto Subestación Central Managua y el Programa de Sostenibilidad del Sector Eléctrico de Nicaragua. Asimismo, ha realizado desembolsos de proyectos energéticos relevantes aprobados en períodos anteriores, entre los que destacan los proyectos Construcción de la Central Hidroeléctrica Larreynaga, la Rehabilitación y Modernización de las Plantas Hidroeléctricas Centroamérica y Santa Bárbara, y el Proyecto Hidroeléctrico Hidro Pantasma.

³⁷ Aprobado mediante el Préstamo No.2154. Proyecto Mejoramiento de los Tramos de las Carreteras Nejapa - El Crucero - Diriamba - Jinotepe - Nandaime.

³⁸ Entre ellos, el ferry entre el puerto salvadoreño La Unión y el puerto nicaragüense de Corinto, en el Océano Pacífico; y el transbordador entre el cruce La Unión-Potosí (El Salvador), ampliándose hacia Amapala y San Lorenzo (Honduras).

³⁹ Aprobados mediante Resolución No. PRE-63/2017.

⁴⁰ Para mayor referencia, véase el documento del Banco Centroamericano de Integración Económica: "Objetivos de Desarrollo Sostenible: Alineación Estratégica Institucional".

⁴¹ Los aspectos del PNDH 2018-2021 vinculados a la inclusividad son de carácter transversal a todos los ejes planteados, e incluyen distintos grupos de interés, entre ellos: niños y jóvenes, mujeres, ancianos, discapacitados, grupos indígenas y afrodescendientes, entre otros.

⁴² En línea con las disposiciones contenidas en los Ejes del Programa Nacional de Desarrollo Humano 2018-2021. Ministerio de Hacienda y Crédito Público.

⁴³ PROMITUR aprobado mediante Resolución No. DI-118/2017.

⁴⁴ El tratamiento de la temática de cambio climática se gestionará por medio de acciones acordes a la Convención Marco de las Naciones Unidas, incluyendo el Acuerdo de París.

⁴⁵ BCIE está apoyando la elaboración de una propuesta con el visto bueno de los Ministros de Ambiente de la Región enfocada al Fortalecimiento de la Agricultura Familiar, Adaptación y Mitigación y Gestión del Riesgo en el Corredor Seco Centroamericano, para ser presentada ante el *Green Climate Fund*. De igual manera se aprobaron recursos ICDF y BCIE en apoyo a los gobiernos de la región para enfrentar el tema de la roya en los cafetales.

⁴⁶ Como por ejemplo la iniciativa conjunta denominada: Construyendo Resiliencia en el Corredor Seco Centroamericano: Agenda para Fortalecer la Seguridad Alimentaria y Nutricional-SAN, la Adaptación al Cambio Climático-ACC y la Reducción del Riesgos. Este es un esfuerzo liderado por CCAD, CAC, CEPREDENAC y BCIE con el acompañamiento y apoyo del PMA y FAO.

⁴⁷ A nivel del portafolio regional se manejan 16 programas de intermediación financiera especializados por áreas estratégicas.

⁴⁸ Resolución No. DI-146/2013. El Programa de Apoyo a la Estrategia de Seguridad de Centroamérica se ha propuesto para el quinquenio 2015-2019 el Marco de Intervención del BCIE para el sector de seguridad ciudadana.

SECCIÓN VI

⁴⁹ De acuerdo con el análisis de sostenibilidad de deuda realizado por el FMI, incluido en el informe de la Consulta al Artículo IV 2017, así como en los informes de *Fitch Ratings*, *Standard & Poor's*, y *Moody's* de 2017.

⁵⁰ Estos resultados se han fundamentado en la gestión de la Estrategia Nacional de Deuda y la Política Anual de Endeudamiento Público del MHCP (Ley 477). Se ha buscado tomar ventajas de las mejores condiciones del endeudamiento externo, debido a las menores tasas de interés y mayores plazos de vencimiento, en comparación con el mercado de deuda doméstica.

⁵¹ El país (soberano) comenzó a ser sujeto de evaluación por agencias calificadoras de riesgo internacional en 1998 (*Moody's*), incorporándose *Fitch Ratings* en diciembre 2015 y *Standard & Poor's* en febrero 2016.

SECCIÓN VII

⁵² Con base en Banco Central de Nicaragua. Informe de Cooperación Oficial Externa - I semestre 2017. Para el cálculo de la participación del BCIE en el financiamiento de instituciones multilaterales, se estimó el total para el año 2017.

⁵³ El Banco Mundial reconoce el dinamismo del BCIE en el financiamiento de transporte, infraestructura urbana, energía, agua y saneamiento.

ABBREVIATIONS, SYMBOLS AND ACRONYMS

ADS	Upper Management
BCN	Central Bank of Nicaragua
CABEI	Central American Bank for Economic Integration
CAC	Central American Agricultural Council
CAF	Development Bank of Latin America
CCAD	Central American Commission on Atmosphere and Development
CEPREDENAC	Coordination Center for the Prevention of Natural Disasters
DINAMICA	Development of Ideas for Businesses and Acceleration of Central American MSMEs
DSA	Debt Sustainability Analysis
ECLAC	Economic Commission for Latin America and the Caribbean
EIB	European Investment Bank
ENATREL	National Company for Electrical Transmission
EPI	Environmental Performance Index
ESCA	Central America Security Strategy
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign Direct investment
FONTEC	CABEI Technical Cooperation Fund
GCI	Global Competitiveness Index
GCL	Global Credit Line
GDP	Gross Domestic Product
GIP	Global Investment Plans
HDI	Human Development Index
HIPC	Highly Indebted Poor Countries
I-BCIE:	Development Impact Index of the Central American Bank of Economic Integration
ICDF	International Cooperation and Development Fund
ICOE	Report on Official External Cooperation
IDA	International Development Association
IDB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
INFRALATAM	Infrastructure in Latin America and the Caribbean
INIDE	National institute of Development Information
ISIC	International Standard Industrial Classification
JICA	Japan International Cooperation Agency
LCT	Tributary Cooperation Law
LSMS	Living Standards Measurement Study
MDRI	Multilateral Debt Relief Initiative
MHCP	Ministry of Finance and Public Credit
MIGA	Multilateral Investment Guarantee
MSME	Micro, Small and Medium Enterprise
NICAVIDA	Project of Sustainable Livelihood Development of Rural Families in the Dry Corridor of Nicaragua
OFID	OPEC Fund for International Development
OPEP	Office of Strategic Planning and Programming
PNDH	National Human Development Plan

PR-FEM	Regional Program on Enterprise Financing for Women
PROMITUR	Regional program of Competitiveness and Sustainability for the Tourism MSMEs
PROMUNI	Program of Financing Municipal Infrastructure
PROSEP	Program to Promote Productive Sectors
PROSIFI	Program for the Liquidity and Expansion of the Financial System
SDG	Sustainable Development Goals
SIBOIF	Superintendence of Banks and Other Financial Institutions
SICA	Central American Integration System
SIEPAC	Central American Electrical Interconnection System
TPS	Temporary Protection Status
UNDP	United Nations Development Program
US	United States of America
WB	World Bank
WEF	World Economic Forum.
WFP	World Food Program

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ANNEX I:

APPROVED COOPERATION 2017

MAIN PROJECTS	MILLIONS OF US\$	PRODUCTIVE SECTOR
Total amount	1,237.4	
Private sector	40.2	
Public sector	1,197.2	
World Bank	169.8	
Project to improve rural and urban access	96.8	Farming
Alliance project for the quality of education	55.0	Education
Additional Financing for Nicaragua second land administration project (Land registration and titling)	18.0	Public administration
BID	389.6	
Program to improve productivity in Nicaragua II	65.0	Financial markets
Sustainable Livestock in Nicaragua	0.8	farming
Finance Bank - TFFP	8.0	Commerce (private)
Program to strengthen the electricity sector in Nicaragua III	65.0	Electric power
Banco de la Producción S.A. - TFFP	21.1	Commerce (private)
Project for the improvement and sustainable management of drinking water services and sanitation in urban and peri-urban areas	72.0	Water and sanitation
Strengthening competitiveness in Nicaragua (SMEs)	1.1	Industry (private)
Multi-sectoral program of attention to determinants of health in the Dry Corridor	133.0	Health
Border integration program and complementary financing through a non-refundable contribution for a specific project	23.6	Commerce
BCIE	480.2	
Rehabilitation project for the Juan Pablo II runway and construction of steps to height difference (P 2194)	105.5	Infrastructure
Increase of loan No. 2050 authorized to the Republic of Nicaragua - National program for sustainable electrification and renewable energy for Nicaragua (PN ESER)	86.5	Electric power
Increase in the global credit line No. 1400 in favor of Banco Ficohsa Nicaragua	10.0	Financial (private)
Project for the improvement and rehabilitation of roads - Republic of Nicaragua	238.0	Infrastructure
Bluefields sanitation project - Republic of Nicaragua (P 2210)	38.8	Water and sanitation
Cooperation within the framework of FONTEC to the Republic of Nicaragua - Studies of pre-investment phase I of the Litoral Sur highway	1.4	Infrastructure
Bilateral cooperation	197.8	
Germany		
Metropolitan Managua Project (EU90.0 million)	104.9	Drinking water
Japan		
Construction of bridges (Mulukukú, Lisawé, mLabú and Prinzapolka)	42.9	Infrastructure
Taiwan		
Global credit line for social programs (health, education, security)	50.0	Social

Source: CABEL, based on official information from the Ministry of Finance and Public Credit (MHCP).

ANNEX II:

PROGRAMMED OPERATIONS VS. APPROVED OPERATIONS (2012-2017)

TARGETING AREAS	OPERATION	PROJECTED		APPROVED	
		US\$ (MILLIONS)	PERCENTAGE	US\$ (MILLIONS)	PERCENTAGE
Energy	Preinvestment Tumarín Hydroelectric Project	252.0			
	Preinvestment Hydroelectric Power Plants (Mico River)	120.0			
	Sustainability Program of the Electric Sector of Nicaragua			163.5	
	National Program for Sustainable Electrification and Renewable Energy (PNESER)			86.5	
	El Barro Hydroelectric Power Plant Project	80.0		120.6	
	La Sirena Hydroelectric Power Plant Project	20.0		101.7	
	Managua Substation Project			6.7	
	Subtotal	472.0	31.1	479.0	23.3
Infrastructure productive	Preinvestment Road Projects Program	2.2			
	Rehabilitation Project for the Juan Pablo II Runway and Construction of Sloped Steps	35.0		105.5	
	Rehabilitation and Improvement Project for the Nejapa Empalme Road Section -	38.6		38.6	
	Empalme Puerto Sandino				
	V Highway Rehabilitation and Maintenance Project	45.0		45.0	
	VI Road Improvement Project				
	VII Highway Improvement and Rehabilitation Program			70.5	
	Improvement Project of Rural Roads and Roads with Connection to the Nicaraguan Caribbean			238.0	
	Project Improvement of the sections of the Nejapa Highway the Diriamba Jinotepe Cruise			149.3	
	Nandaime				
	Improvement Project for the Malacatoya-Victoria de Julio Road stretches and			67.0	
	Malacatoya-El Palo-El Papayal			65.4	
	Project Improvement of the Very Muy-Matiguás-Río Blanco Road			58.7	
	Project Improvement of the Carretera Río Blanco Mulukukú			37.6	
El Boquete-Santa Ana Improvement Project			23.1		
Others	127.8				
	Subtotal	248.6	17.4	898.6	43.8
Human development and infrastructure Social	Program of Construction and Improvement of Affordable Housing			55.0	
	Construction and Equipment Project of the Departmental Hospital of Chinandega	80.0		81.9	
	Replacement Project of the Nuevo Amanecer Regional Hospital of the Autonomous Region of North Atlantic (RAAN) *	60.0		53.0	
	Replacement and Equipment Project of the Carlos Roberto Huembes Hospital	110.0		102.9	
	Construction and Equipment Project of the General Hospital of the Western Zoina Managua	64.0			
	Replacement of the Departmental Hospital of Nueva Segovia	80.0			
	Sustainability Program for the Water and Sanitation Sector			30.0	
	Project for the Improvement and Extension of Potable Water Supply Systems and Sanitation in 19 Cities			93.3	
	Program for the Improvement and Extension of Drinking Water and Sanitation in the Pacific and Center of Nicaragua	56.6		56.6	
	Bluefield Sanitation Project			38.8	
	Partially finance the execution of the project Replacement of the New Regional Hospital Dawn of the North Atlantic Autonomous Region (RAAN) *			53.0	
	El Boquete-Santa Ana Road Improvement Project			5.8	
	Infrastructure and Social Accompaniment Program in the North Caribbean Coast			5.1	
	Others	170.4			
	Subtotal	621.0	43.5	575.2	28.0
Intermediation financial and finance for development	Extension of LGC. Banco Ficohsa Nicaragua, S.A.			10.0	
	Bank Lafise Bancentro. Extension of LGC			40.0	
	Foundation for the Promotion of Local Development. Extension of LGC			3.0	
	Subtotal	0.0	0.0	53.0	2.6
Rural development and environment	Program of Adaptation to Changes in the Markets and the Effects of Climate Change			23.0	
	Program for the Promotion of Sustainable Agricultural Productivity (PPPAS)	10.0		10.0	
	Project for the Sustainable Development of Livelihoods of Rural Families in the Dry Corridor of Nicaragua (NICAVI DA)			15.0	
	Others	75.0			
	Subtotal	85.0	6.0	48.0	2.3
	TOTAL	1,428.6	100.0	2,053.8	100.0

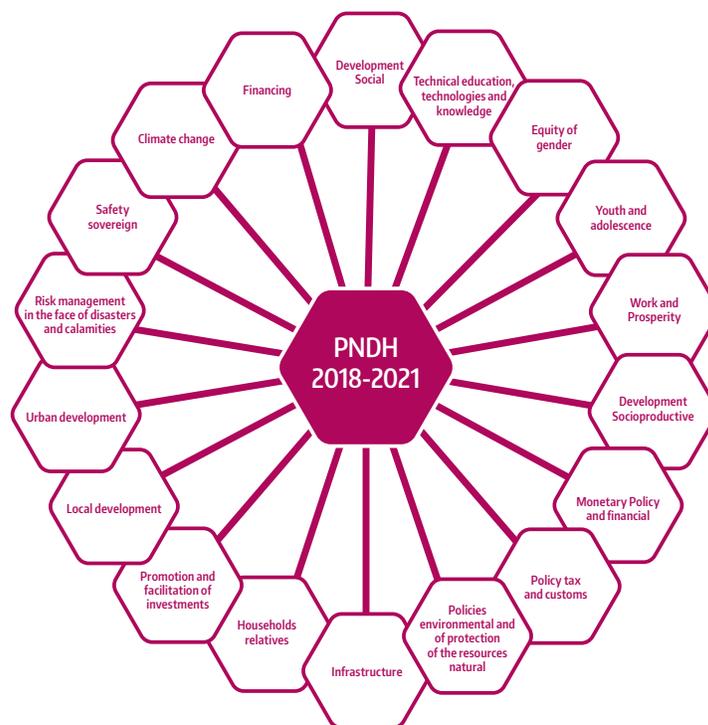
Source: CABEL.

ANNEX III:

SYNTHESIS OF NATIONAL HUMAN DEVELOPMENT PROGRAM 2018-2021

The government of Nicaragua has structured its National Human Development Program (PNDH 2018-2021) in 19 strategic axes that establish general guidelines to continue promoting the country's integral development in an inclusive and sustainable manner.

FIGURE I.
Axes of the PNDH 2018-2021



⁵⁴Government of Nicaragua. Axes of the National Human Development Program 2018-2021. December 2017.

Furthermore, the Social Development axis, which is the broadest and targets the integral approach of the main sector gaps.

Establishes the objective of moving towards a higher educational quality, expanding school coverage and improving its offering through the introduction of new technologies, updating of content, promotion of entrepreneurship, educational infrastructure and research on the impacts of educational policies, among other issues. Likewise, regarding the issue of healthcare, this axis aims to continue strengthening the attention of the different population groups, improving quality and introducing innovative mechanisms such as public-private partnerships to offer low-cost services, and information technology elements such as an online electronic clinical file. Other guidelines of this axis are aimed at ensuring the inclusiveness of special population groups, improving water coverage and quality and improving the effectiveness and sustainability of social security.

On the other hand, the axis of Socio-productive Development establishes guidelines to improve productivity in the different productive activities. To this end, emphasis is placed on aspects such as development of logistical infrastructure, productive transformation, diversification and added production value, access to financing and imported technologies, improvement of the Central American free trade area, as well as the facilitation of trade and promotion to international markets. Regarding energy, emphasis has been placed on expanding generation capacity, incorporating non-polluting technologies, diversifying the generation matrix and becoming an active participant in regional electric interconnection organizations.

In a complementary manner, the PNDH 2018-2021 is complemented by the inclusion of other Axes whose purpose is to incorporate sector and cross-cutting guidelines for the development of the plan. In this regard, noteworthy is the incorporation of such issues as gender equity, environmental protection, climate change, citizen security, territorial planning, infrastructure development, macroeconomic stability and financing.

ANNEX IV:

ALIGNMENT OF THE AXES OF THE PNDH 2018-2021 AND THE FOCUS AREAS

AXES AND SECTORS OF THE PNDH	LINE OF ACTION OF THE PNDH	AREAS OF FOCUS OF THE BCIE	
Social development	Education	Educational quality Investment in infrastructure Continue developing capacities in regional hospitals	Human Development and Social Infrastructure
	Health	Organize and develop the national system for oral health Continue to develop hospital care Develop health informatics processes Install public private clinics	Human Development and Social Infrastructure
	Sports	Improve and develop the sports infrastructure	Human Development and Social Infrastructure
	Labor rights	Develop skills for workers	Services for Competitiveness
	Social Security	Affiliation and coverage of social security Advancing the universal and equitable provision of drinking water and sanitation	Human Development and Social Infrastructure
	Water and Sanitation	Improve the quality of water for human consumption	Human Development and Social Infrastructure
		Promote shared responsibility in the construction, use and sustainability of drinking water and sanitation systems	
Indigenous and Afro-descendant communities	Economic, equitable, sustainable and harmonious	Establish Multisectoral Development Poles on the Caribbean Coast	Productive Infrastructure
		Promote the infrastructure for economic development	
		Promote agro-industry	Rural Development and the Environment
		Promote the development of tourism	Services for Competitiveness
	Promote mining		
Work and prosperity	Promote entrepreneurship in people	Services for Competitiveness	

AXES AND SECTORS OF THE PNDH

LINE OF ACTION OF THE PNDH

AREAS OF FOCUS OF THE BCIE

Socio-productive development

Energy	Continue transforming and diversifying the power generation matrix Increase electric generation capacity	Energy
Technologies applied to production	Promote the creation, transfer and adaptation of technologies Continue to promote modernization and productive transformation in a context of climate change	Services for Competitiveness Rural Development and the Environment
Farming	Increase production, productivity, quality and added value of productive chains in conditions of sustainability Strengthen systems and methods that ensure quality and enhance exports	Rural Development and the Environment
Small and medium industry	Strengthen and transform small and medium industry Promote the development of new ventures Promote the formation of horizontal associative networks	Financial Intermediation and Finance for Development
Industry	Promote innovative methods and modern technology to increase quality, productivity and competitiveness Promote the creation of industrial and agro-industrial parks Promote the expansion of the productive capacity of the mining sector, with environmental sustainability	Financial Intermediation and Finance for Development Productive Infrastructure Rural Development and the Environment
Fishing and Aquaculture	Promote good practices	Services for Competitiveness
tourism	Linking tourism offer and activity with small businesses and productive ventures Involve all sectors in tourism development	Financial Intermediation and Finance for Development Services for Competitiveness
General Services	Advance with the widening of bandwidth in the high speed internet service and its access throughout the country Promote the offer and access of commercial, financial, logistic and entertainment services	Productive Infrastructure Financial Intermediation and Finance for Development
National and international trade	Continue promoting the improvement of the Central American free trade zone Advance in trade facilitation for different sectors	Services for Competitiveness

AXES AND SECTORS OF THE PNDH	LINE OF ACTION OF THE PNDH	AREAS OF FOCUS OF THE BCIE
Monetary and financial policy	Promote inclusion and financial education	Financial Intermediation and Finance for Development
Tax and customs policies	Continue financing the programs and projects of public socio-productive investment	Financial Intermediation and Finance for Development
Environmental policies and protection of natural resources	Promote the use and sustainable management of protected areas	Rural Development and the Environment
	Promote the conservation and recovery of soil, water and forest resources	
Infrastructure	Develop infrastructure for road, port, airport, rail and border crossing	Productive Infrastructure
	Develop social infrastructures	Human Development and Social Infrastructure
	Continue developing municipal infrastructure	Productive Infrastructure
	Strengthen the safe, affordable, accessible and sustainable public transport system	Productive Infrastructure
Family homes	Continue supporting the construction of Social Interest Housing	Human Development and Social Infrastructure
Promotion and facilitation of investments	Facilitate the process to encourage the development of investments	Services for Competitiveness
Risk management in the face of disasters and calamities	National System of Prevention and Mitigation	Human Development and Social Infrastructure
	Firefighters and mitigation forces	
	Local and national risk management	
Climate change	Accompanying, effective, quality and with warmth to families affected by natural phenomena	Rural Development and the Environment
	Provide attention to families affected by natural or provoked events	
	Articulate environmental management and risk reduction	
	Develop actions in accordance with the United Nations Framework Convention on Climate Change	
Financing	Improve education	Financial Intermediation and Finance for Development
	Formulate low carbon economic and social development policy	
	Promote and develop public and private financing programs	
	Develop programs for the financing of socio-productive infrastructure projects	
Financing	Develop programs and support institutions that finance small and medium businesses	Financial Intermediation and Finance for Development
	Continue developing financing programs for national production	

INFOGRAPHIC

NICARAGUA COUNTRY STRATEGY 2018 - 2022



El infográfico está compuesto, en la parte superior, por tres hexágonos que destacan los insumos de los que se alimentó esta Estrategia; los Ejes del Programa Nacional de Desarrollo Humano 2018-2021, los Objetivos de Desarrollo Sostenible (ODS) y la Estrategia Institucional BCIE 2015-2019. En la parte central, un hexágono con las áreas de focalización que representa las vías por las cuales se implementará esta propuesta estratégica con iniciativas de desarrollo. En la parte inferior, se detallan los objetivos centrales que se declaran se atenderá de forma primordial en esta Estrategia de País. Todos estos elementos se integran con dos triángulos contrapuestos que alegorizan el dinamismo, el alineamiento estratégico y la flexibilidad de la Estrategia de País.



CABEI

NICARAGUA

COUNTRY STRATEGY

2018-2022
