

Debt Management Performance Assessment in Nicaragua



Banco Central de Nicaragua

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Debt Relief Initiatives in Nicaragua

Debt Relief	Billions USD
Debt Relief Foreseen	8.1
❖ HIPC	6.5
❖ MDRI	1.6
Debt Relief Received (as of Dec. 2007)	6.7 → 83%

	<u>2000</u>	→	<u>2007</u>
➤ External Debt Stock	\$6.7		\$3.4
➤ External Debt/GDP	169%		59%
➤ NPV External Debt/EXP	714%		<u>164%</u>

In spite of progress, sustainability has not yet been reached

Bringing debt to sustainable levels in HIPC countries

External effort
international
community

Full delivery of
debt relief by
all creditors

Internal effort
debtor
country

Strengthening
debt
management
function

The DeMPA exercise in Nicaragua

- **WB mission visited Nicaragua – May 2007**
 - ✓ **Meetings held with:** Ministry of Finance (MoF), Central Bank (CB), Social Security Institute, Superintendency of Banks, donors, stock exchange, commercial banks and US Treasury Debt Advisor
 - ✓ **Results of assessment discussed with MoF and CB at end of mission**
 - ✓ **Results of assessment not to be used for assignment of WB funds to Nicaragua**
- **Preliminary report – June 2007**
- **Nicaragua provided comments**
- **Final report – October 2007**
 - ✓ **Overall fair (accurate) assessment of Nicaragua's debt management function**
 - ✓ **No in-depth analysis**
 - ✓ **No recommendations (not the purpose)**

Results of Nicaragua's assessment

Strengths:

- Legal framework
- External borrowing
- Loan administration and payments
- Debt data base

Weaknesses:

- Institutional framework
- Debt management strategy
- Management of cash balances
- Audit

How is the DeMPA Report being used by Nicaragua?

Preparing the National Debt Strategy

Developing a plan for strengthening the debt management function

Updating/reviewing capacity building programs

Effectiveness of DeMPA will depend on...

- Implementation of an action plan to correct weaknesses identified
 - ✓ Participation/coordination of organizations supporting capacity building programs is key
- Engagement from country's authorities
- Periodic follow-up to evaluate progress
 - ✓ Including access to consultation (further discussion) with WB



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