1. The Programming Committee met on January 26th to consider Management’s proposal for a new Country Strategy with Nicaragua, as set out in document GN-2499.

2. The proposed strategy would consist of five main pillars: (i) Fiscal sustainability and the strengthening of public management; (ii) Reliability of the power supply and improvement of the existing road system; (iii) Development of a social welfare system and improvement, management, and coverage of basic social services; (iv) Productive development; and (v) Institutional management for disaster prevention.

3. A majority of Directors were in general agreement with the strategy’s flexible approach to these priorities. Directors also recognized the many challenges faced by Management in coordinating with other donors in the country and underscored the importance of finding potential co-financing sources.

4. Some Directors expressed concerns on areas such as governance in Nicaragua and the importance of Macroeconomic stability and follow-up of debt sustainability, details of which will be fully reflected in the minutes. Written statements will be attached to the minutes as requested by some Chairs. Management will also be circulating answers to questions submitted in writing before the meeting.

5. In response to concerns over Nicaragua’s debt, Management provided assurances that the country’s debt sustainability had been the subject of careful and continuous analysis and that the Strategy had been structured accordingly.

6. Another concern related to the Bank’s continuing inability to develop NSG projects in the country. For the purposes of comparison, Management was asked to explain the extent to which other multilaterals had been successful in financing private-sector operations in Nicaragua. In response to these concerns, Management described stepped up efforts to identify NSG operations going forward.

7. While some Directors questioned the inclusion of budget support projects in the strategy given the need for improved governance in the Country, others considered such projects important for Nicaragua, stressing that the selection of operations should be governed by strictly economic criteria, as required by the Bank’s Charter. A group of Directors requested changes to the document reflecting these concerns. It was the sense of the Committee, however, that the concerns should be duly reflected in the minutes rather than producing a revised version of the document.
8. In the area of governance in particular, Management described in some detail the many efforts undertaken to promote reform and institutional strengthening in Nicaragua, in keeping with the Bank's mission. Management also clarified that the Bank followed OAS leadership as to basic democratic principles and deferred to that institution for activities (e.g. electoral observation) pertaining to human rights and the rule of law.

9. Given the country’s limited access to nonconcessional financing, and the deteriorating investment climate observed throughout the region, Directors encouraged Management to deploy all available instruments to channel resources to Nicaragua. They emphasized the particularly vital importance of the FSO and the urgent need for greater clarity about the FSO’s future and the amounts to be made available for implementation of this Strategy. One Director expressed his concerns regarding the high lending scenario, given the availability of FSO resources.

10. A final area of concern pertained to the two-year delay in submitting the Strategy after the new Nicaraguan government took office. As noted during the meeting, this delay was attributable to several factors, including uncertainties about the availability of concessional resources to put behind the program; and delay in receiving the CPE from OVE.

11. With the prospect of delays for future Country Strategies, Management suggested more flexible procedures. Some Directors suggested consideration of an interim mechanism for keeping the Board up to date. Management was asked to furnish a list of pending strategies and CPEs for reference in discussing possible solutions at that time.

12. Speaking on behalf of his government, the Director for Nicaragua spoke highly of the dialogue process maintained with Bank representatives. He noted in particular the consensus achieved on priorities for achieving the MDGs, strengthening the country’s institutions and ultimately helping to consolidate peace and a foundation for future progress in the country.

13. In my capacity as Chairperson of the Programming Committee, I recommend that the Board approve the Country Strategy with Nicaragua as proposed in document GN-2499.