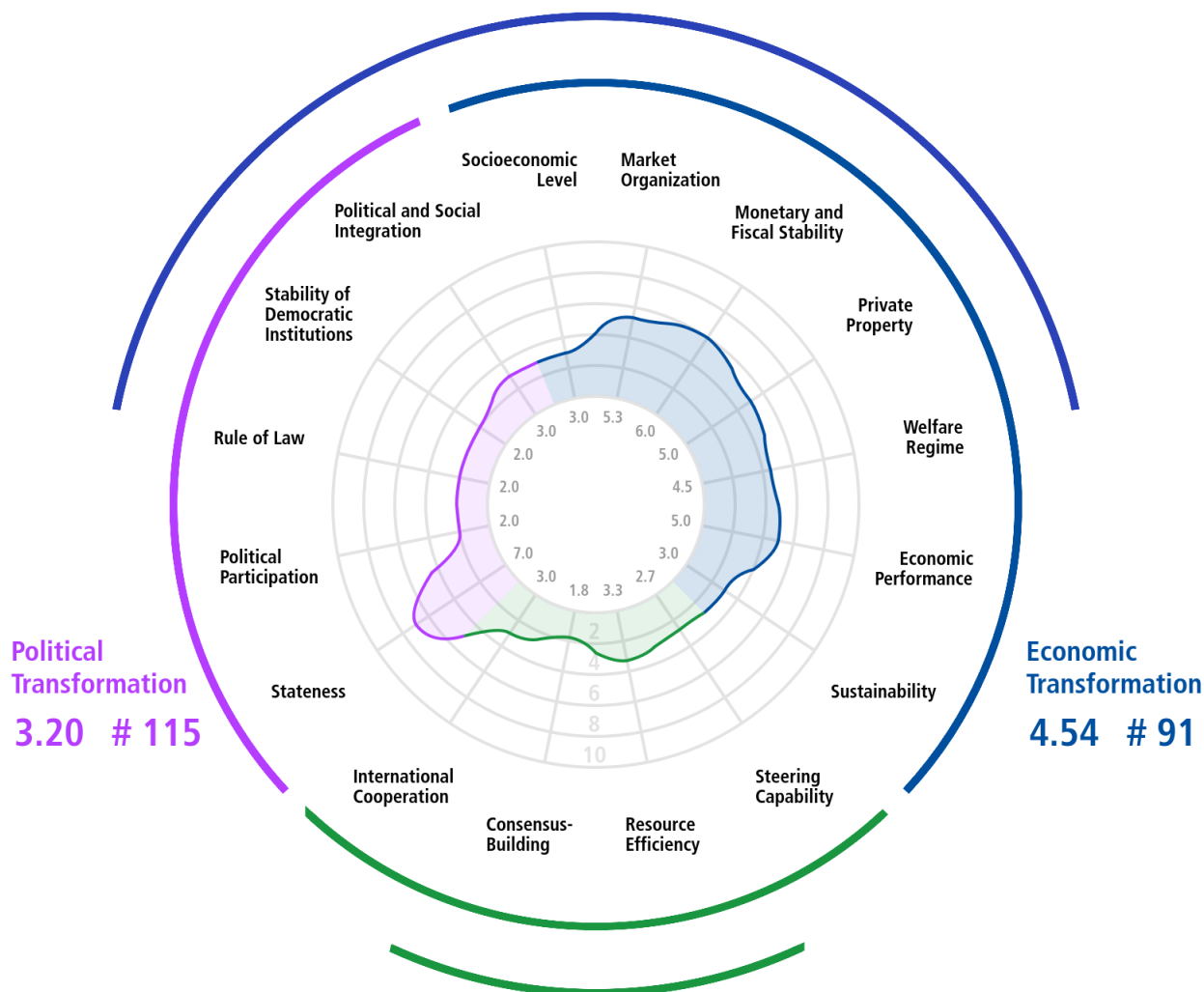


Nicaragua

Status Index

3.87 # 107

on 1-10 scale out of 137



Governance Index

2.48 # 124

on 1-10 scale out of 137

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2024. It covers the period from February 1, 2021 to January 31, 2023. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	6.9	HDI	0.667	GDP p.c., PPP \$	6875
Pop. growth ¹	% p.a.	1.4	HDI rank of 189	126	Gini Index	46.2
Life expectancy	years	73.8	UN Education Index	0.589	Poverty ³	% 14.4
Urban population	%	59.6	Gender inequality ²	0.424	Aid per capita \$	110.0

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

The November 2021 elections confirmed that the political crisis of 2018 had reinforced the country's evolution toward autocracy. Having violently crushed all grassroots opposition during the previous review period, the ruling Sandinista National Liberation Front (FSLN) – controlled with an iron grip by the family of President Daniel Ortega – consolidated a police state, eliminated all dissenting voices and abandoned even the pretense of electoral democracy during the current review period.

In the months before and after the November 2021 elections, the government decapitated the opposition – which was already rife with divisions and lacked a coherent plan for confronting the regime – by arresting nearly every leading personality associated with anti-Ortega political groupings, such as the Alianza Cívica and the Unidad Nacional Azul y Blanco. It also dismantled civil society by arresting the heads of social movements, student groups, media organizations and NGOs (dozens of which were forcibly shut down or expropriated). Finally, the Catholic Church and business elite – former allies of the regime who had taken an opposition stance in recent years – were brought to their knees as police arrested several of their leaders as well. By January 2023, there were approximately 200 perceived government critics in jail, around 40 of whom were jailed in the summer of 2021 alone. These Nicaraguans, most of whom were accused of “conspiracy to undermine national integrity,” were subject to inhumane conditions. Nicaraguans are reluctant to openly criticize the ruling family for fear of reprisal. With no counterweight to the regime inside Nicaragua, Ortega's dictatorship is more consolidated than ever. Shortly after the close of the review period, authorities released most of the abovementioned imprisoned opposition members. In the process, they were stripped of their Nicaraguan citizenship and exiled. Their release, deportation and expatriation are part of a wider effort to silence domestic dissent over the long run.

A major factor in this authoritarian consolidation is the relative stabilization of Nicaragua's economic picture. Previously, the COVID-19 pandemic compounded a severe contraction brought about by major protests (and their violent suppression) in 2018. However, pre-2018 levels of economic activity were achieved with a real GDP increase of 10.3% in 2021 and projected growth of 4.1% in 2022. Ortega has been able to combine a confrontational, illiberal approach to politics with macroeconomic prudence. There is no sign that the ruling Sandinista Front intends to move away from the market- and export-oriented model that has characterized its rule thus far. And while the Nicaraguan government is increasingly isolated internationally, it has not seen major barriers to its integration in the global economy. Some countries, most notably the United States, have continued to sanction individual regime officials. Still, despite the 2018 U.S. Nicaragua Investment Conditionality Act (NICA), there is reluctance to impose wider restrictions on the Nicaraguan economy, perhaps due to the fear that the number of Nicaraguans fleeing the country – a figure that grew during the review period – would spiral out of control if the economic picture deteriorated. Nevertheless, political instability and international isolation hang over the investment climate and possibilities for foreign-funded development projects in the country. Poverty reduction or the confrontation of other major structural challenges seems virtually impossible in the face of the intensification of Nicaragua's political crisis.

History and Characteristics of Transformation

Power in Nicaragua was peacefully transferred through free and fair elections for the first time in 1990. Held under the framework of the Central American Peace Accords, those elections helped bring an end to a devastating civil war between the U.S.-backed Contra insurgency and the revolutionary government of the Sandinista National Liberation Front (FSLN), which itself had risen to power in 1979 after violently overthrowing the decades-old dictatorship of the Somoza family. Whereas the FSLN's socialist-inspired government pursued a statist and redistributionist economic model during the 1980s, the democratically elected governments of Violeta Barrios de Chamorro (1990 – 1996), Arnoldo Alemán (1997 – 2002), and Enrique Bolaños (2002 – 2007) all pursued market-based and export-oriented development models in close consultation with international lenders. Thus, the 1990 elections were doubly transformative, bringing about the liberalization of both the political system and the economy.

These transformations brought immediate, visible benefits. There were no armed conflicts or visible instances of political violence for more than two decades. Civil society flourished as never before, and after an initial recovery and reconstruction period, the economy began to grow at rates that tracked or even exceeded the Latin American average.

Still, challenges persisted. Poverty reduction was slow, and levels of economic and social inequality remained high. The structural adjustment policies that accompanied the transition inflicted severe pain on significant parts of the population. Persistent corruption accentuated these problems. Although governments changed power peacefully, they did little to address the traumatic legacies of the armed conflict. While electoral competition took place, power-sharing

agreements between Arnoldo Alemán (from the right-wing Liberal Constitutionalist Party) and Daniel Ortega (from the FSLN) slowly undermined the country's new democratic institutions. The most famous agreement was "El Pacto" in 2000, which resulted in the politicization of oversight and accountability institutions under the sway of both the PLC and FSLN. The judiciary and the Supreme Electoral Court (CSE) also acquired an evident two-party bias, excluding other political formations. The pact also had detrimental consequences for the electoral process, as it modified the electoral system, allowing the first party obtaining more than 35% of the vote to win the election in the first round, as long as it had at least five percentage points more than the second-place party. This reform helped the FSLN win general elections in 2006 and enabled the party to become a hegemonic power, scrapping the former two-party logic. Thus, seeds of authoritarian rule were hidden under the democratic framework and germinated over time.

When it regained power after the 2006 elections, the FSLN (now under the control of longtime leader Daniel Ortega) maintained the marketeconomic and export-oriented development model of previous administrations while expanding social programs to include segments of the population that had been previously neglected. However, by 2016, Ortega had secured control over all branches of government, extended his hold on power through rigged elections, and placed his family – most notably his wife and Vice President Rosario Murillo – in positions of authority. Until 2018, when large-scale protests erupted against the regime, Ortega's authoritarian consolidation received tacit acceptance from key interest groups such as the business elite and Catholic Church, as well as from much of the population.

Since then, the ruling FSLN has increasingly relied on the state's repressive apparatus to sustain the Ortegas' political project. This has involved using police and parapolice violence to suppress protests in 2018 – prompting accusations of "crimes against humanity" by the Inter-American Commission on Human Rights and causing a brief but severe economic downturn. It has also created a persistent climate of terror maintained by a vigilant police state. The regime has downplayed international sanctions and condemnations. At the beginning of the review period, Nicaragua was in a state of economic uncertainty, social tension and extreme political polarization, with only minimal prospects for a democratic opening.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

The Nicaraguan state's monopoly on the use of force has been clearly established since the transition to democracy in 1990. However, three factors in recent years have qualified this dimension of state control.

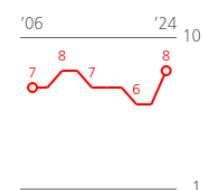
First, massive pro-democracy protests in 2018 briefly challenged the state's monopoly on the use of force. Though largely peaceful, state security forces lost control in some small pockets of the national territory. State repression succeeded in preventing the emergence of any such street protests during the reporting period. But the persistent militarized police presence across the country suggests that the government feels insecure about its ability to prevent another loss of control.

Second, and more importantly, a dictatorial regime currently exercises complete and arbitrary control over the country's security forces. In turn, these forces have used methods of repression that raise questions about the state's monopoly on the use of force. In addition to deploying the official police forces, the Ortega regime has relied on informal paramilitary forces to repress dissent. These forces are not constitutional and therefore undermine the legitimacy of traditional security forces, including the Nicaraguan Armed Forces. However, in 2018, these paramilitary groups operated in close coordination with the police and reportedly consisted of retired police and military officers. Many analysts have worried that such paramilitary forces would be difficult to demobilize once the political conflict subsides, or that their existence would create new opportunities for transnational armed crime. However, as far as we know, this has not been the case. Paramilitary groups are no longer a visible presence on the streets and have been demobilized. When acts of state violence or repression occurred during the reporting period, they were almost exclusively carried out by uniformed police.

Question
Score

Monopoly on the
use of force

8



Third, latent conflict exists in the Atlantic regions between mainly mestizo settlers migrating eastward and ethnic minorities and Indigenous groups who assert collective ownership over lands in those regions. This is the region where Mexican and Colombian drug cartels have established a transit corridor for the northbound flow of narcotics, although their presence is not equivalent to that observed in the Northern Triangle.

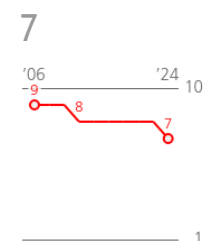
Competing definitions of Nicaraguan nationalism have been a key feature in the political crisis that began in 2018 with massive anti-government protests and their subsequent repression by the regime. The anti-government protests, which were leaderless and unconnected to political parties, used the apolitical Nicaraguan flag as a symbol. This was also a way of rejecting the party-state fusion between the FSLN and the government. This led to a situation where Nicaraguans could be detained or targeted simply for adorning their vehicles with a Nicaraguan flag. As the crisis worsened and President Ortega blamed foreign plots for the political protests against his regime, the basic right to citizenship was significantly compromised. Specifically, authorities have undermined state identity by accusing opponents of not belonging to the Nicaraguan nation.

Nicaraguan citizens living abroad have often been denied entry into the country. These migratory restrictions align with official propaganda that asserts political opponents are “not Nicaraguan” and thus should not have the same rights as “true” Nicaraguans. This rhetoric reached its peak in early 2023, shortly after the review period ended, when more than 200 political prisoners were released from detention but subsequently deported to the United States, permanently exiled and deprived of their citizenship in the process.

No Nicaraguans, except for some ethnic minorities concentrated in the Caribbean region, question their national identity. In the past, these groups – most notably the Miskitu Indigenous people – were marginalized due to differences in language, history, religion and race. During the 1980s, both the civil war and the United States’ Cold War-era intervention led some members of this community to take up arms against the Nicaraguan government and threaten to secede. This threat was neutralized by peace agreements toward the end of the decade that, as part of the transition to democracy, involved constitutional amendments recognizing Nicaragua’s ethnic diversity and granting autonomy to the Caribbean Coast regions.

Problems have nonetheless persisted since then due to deeply ingrained racism and systemic economic difficulties, making these regions the poorest in the country. Social tensions have been exacerbated by the encroachment of settlers moving toward the Caribbean Coast from the more densely populated Pacific regions. However, the threat of separatism has long since passed, partly because the ruling FSLN has successfully co-opted many of the key leaders of formal political parties representing the interests of ethnic minorities. When young Afro- or Indigenous Nicaraguans speak up, it is mostly to be considered and included within the Nicaraguan imaginary, rather than to break away from it.

State identity



The Nicaraguan constitution guarantees the secular nature of the republic. Still, organized religion has made its influence felt in politics and public policy. The Catholic Church, for example, served as a key pillar of support for the nominally right-wing governments that ruled during the country's so-called neoliberal period (1990 – 2006). But when the nominally left-wing Sandinista Front returned to power in 2007, it did so in part by rebranding itself as a Christian party, adopting socially conservative policies such as draconian restrictions on women's reproductive rights, and striking a tacit alliance with the Catholic Church hierarchy. As President Daniel Ortega eroded democratic institutions after 2006, the Church looked away or even defended the ruling party.

The FSLN-Church alliance collapsed in 2018 when major Catholic leaders took the side of Nicaraguans who protested against the regime and demanded a restoration of democracy. In mid-2018, Cardinal Brenes led negotiations between the government and the opposition, a sign of the Catholic Church's considerable political influence, even though the negotiations failed. Since then, the government has undermined the Catholic Church's role as mediator. The institution has increasingly been targeted by the regime for condemning violent state repression.

According to a 2022 poll conducted by CID-Gallup, a decreasing minority of Nicaraguans (44.9%) identify as Catholics, while a growing minority (39.8%) identify as evangelical, Protestant or Pentecostal Christians. This is in contrast to the 2005 census, which reported that 58% of Nicaraguans identified as Catholics. The ruling party has followed this trend by actively seeking the support of Protestant leaders, or at least their silence, while the opposition mostly aligns with Catholicism.

A lack of transparency undermines the quality of available data for measuring basic administration in Nicaragua. According to World Bank data, approximately 55% of the population had access to safely managed water between 2014 and 2020. However, no up-to-date information reflecting the reporting period is available. The latest World Bank figures, from 2021, indicate that 73% of the population had access to basic sanitation (with no significant improvement since 2016). In 2021, President Daniel Ortega, along with Nicaraguan Energy Minister Salvador Mansell, promised that the country was nearing "100% national [electrification] coverage." World Bank data indeed suggest a gradual and consistent improvement in access to electricity leading up to 2020. However, while Nicaraguan authorities reported an electrification rate of 99.2% in January 2022, there are no corresponding figures from either the World Bank or the United Nations Economic Commission for Latin America and the Caribbean (ECLAC). In recent years, these institutions' numbers have consistently fallen below those provided by Nicaraguan authorities. The latest World Bank figure for 2020 reported a coverage rate of 88.9%.

Two major challenges serve as obstacles to the provision of basic services, the reach of infrastructure and the enforcement of laws. First, the operation of government activities is severely uneven across rural and urban zones. Second, the increased politicization of basic institutions (due to the fusion between the interests of the state,

No interference of religious dogmas

8



1

Basic administration

5



1

the ruling FSLN and the Ortega family at the top of both) undermines efficiency, quality and coverage. The second of these factors was at play in the government's erratic response to the coronavirus pandemic. Perhaps most tellingly, we cannot say for certain how many Nicaraguans were infected and/or died during this period because the government refused to report even minimally transparent data during the outbreak. That said, critics' worst predictions for the government's hands-off response to the pandemic did not seem to come to pass.

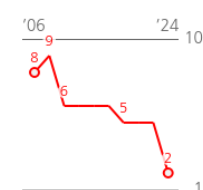
2 | Political Participation

After allowing Daniel Ortega to take the presidency in reasonably free and fair circumstances in 2006, the Nicaraguan electoral system gradually deteriorated before completely collapsing during the reporting period. Prior to the 2011 elections, a court ruling issued by the non-independent judiciary discarded constitutional term limits that had prohibited Ortega's re-election, enabling him to run, secure victory and maintain his hold on power. The 2016 elections, during which Ortega appointed his wife as vice president and in which opposition figures presenting a threat were barred from participating, were entirely non-competitive. Throughout, the regime consistently targeted and obstructed opposition parties, preventing their free participation in the political arena. However, since key interest groups (notably, the business elite and Catholic Church, as well as pseudo-opposition parties) tacitly supported the regime, Ortega's continued hold on power possessed a tenuous appearance of democratic legitimacy. The emergence of a massive protest movement in 2018 briefly raised hopes for government-led electoral system reforms that might permit genuine competition. Instead, the government violently suppressed any calls for democratic progress and disregarded international appeals for such reform.

During the reporting period, some viewed the presidential elections scheduled for November 2021 as a small, last opportunity for a peaceful resolution to Nicaragua's political crisis, with the possibility of leading the country toward a new democratic transition. However, most analysts doubted that the elections would be any freer or more competitive than those held in 2016. In fact, the electoral episode actually exceeded analysts' worst expectations. Prior to the campaign, security forces intensified their efforts to prevent any form of campaigning by civil society or opposition political parties. In May 2021, police arrested all opposition figures expressing an interest in leading an opposition electoral coalition against Ortega. They also detained numerous journalists, civil society figures, business leaders and other critical voices, justifying their imprisonment with trumped-up charges of treason, terrorism, money laundering or conspiracy to undermine national sovereignty. According to the official narrative, opposition politicians and critical NGOs were supposedly acting as part of an international "coup" plot orchestrated by the U.S. government. As anticipated, opposition political parties recognized by the regime had their legal status revoked. The government also arrested a number of Nicaraguans who urged their fellow citizens to abstain from voting.

Free and fair elections

2



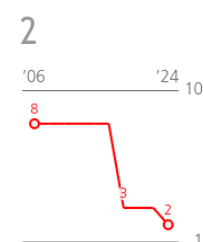
In November 2021, President Ortega and Vice President Rosario Murillo were re-elected with 75.92% of the vote in elections that lacked even token participation by anybody but satellite parties and were marked by reports of extremely high abstention. Swift and widespread international condemnation followed: OAS member countries soon adopted a resolution denying the legitimacy of the new government and once again called for the release of political prisoners and the restoration of basic liberties. The Ortega regime has ignored such international pressure in the past; there is currently no reason to believe that conditions will improve ahead of the 2026 presidential elections, or that municipal elections in the interim will allow anyone outside of the authoritarian system to hold or exercise power at the local level.

After the 2016 elections – in which the main opposition groups were arbitrarily barred from participating – the Ortega government entirely lacked any legitimacy derived from free and fair elections. However, the concentration of power in the hands of the FSLN (and, more specifically, of the Ortega-Murillo clan) was legitimized by other factors. Notably, the effective power to govern, despite the government’s clear lack of democratic legitimacy, could be explained by the support it enjoyed from key interest groups: the business elite, the Catholic Church and other Christian institutions, and security forces such as the Nicaraguan Armed Forces. These groups undermined the democratic process and accepted the erosion of democratic institutions in pursuit of sectoral interests, or out of the shared belief that only a strong, centralized government led by Ortega could ensure peace, social stability and economic growth.

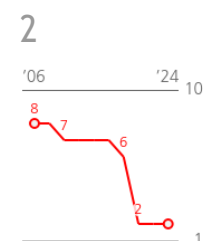
But after 2018, two of those groups – the Catholic Church and the business elite – ended their alliance with the regime. They, along with many political parties that had previously collaborated with Ortega, consistently pointed out the regime’s authoritarian nature during the review period and called for a return to democracy. During the review period, the conflict between the regime and these two interest groups reached unprecedented levels of intensity. Without the support of these influential pillars, the government increasingly relied on violent repression to maintain its governance capacity. The military – which did not actively participate in state repression in 2018 but also did not oppose it – remains an important unknown factor. Although formally independent, the Nicaraguan Armed Forces have deep economic, political and historical ties to the Sandinista Front.

The Nicaraguan constitution guarantees a comprehensive range of rights related to association and assembly. These constitutional guarantees were mostly upheld during the tenure of the three governments that followed Nicaragua’s transition to democracy in 1990. However, subsequent to President Daniel Ortega’s assumption of power in 2007, these rights were progressively curtailed. Initially, the repression of free association was selective. For instance, police, along with government supporters like the Sandinista Youth, regularly harassed or assaulted protests organized by opposition political parties or pro-democracy organizations.

Effective power to govern



Association / assembly rights



In 2018, however, this repression became widespread, systematic and lethal. Unable to suppress the popular street rebellion through their typical methods, police and parapolice groups resorted to extremely violent means to disperse protesters. As a result, Nicaraguan cities have consistently witnessed a militarized police presence aimed at promptly addressing any form of collective action by citizens, no matter how insignificant. The frequency of spontaneous political gatherings diminished significantly due to the prevalence of violence and arbitrary detention, and such events ultimately all but disappeared.

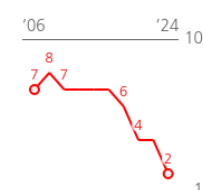
This problem only worsened during the review period. Ahead of the 2021 elections, opposition hopefuls held small meetings, albeit only in the safety of closed spaces such as hotels or convention centers. The thought of requesting authorities' permission to hold a public rally had become quaint by this point. But after the government launched its crackdown on high-profile opposition figures in the spring and summer of 2021, even small, secluded political gatherings were no longer safe. Even Nicaraguans who wish to assemble for an ostensibly non-political purpose run the risk of immediate reaction by police or parapolice forces. The judicial system plays an important role in this violation of assembly rights because Nicaraguans who unite against Ortega are routinely sentenced to imprisonment on flimsy or entirely trumped-up charges.

During its initial phases, the Ortega regime gradually sought to harass or undermine independent media through various means. But in 2018, the regime explicitly portrayed independent media as being part of the conspiratorial, U.S.-backed "coup" plot that, in its view, was fueling the massive street protests calling for the end of the Ortega regime. After this point, the ruling FSLN took more assertive steps to exterminate independent media altogether by shutting down outlets, seizing assets, and arresting staff members or forcing them into exile. After allowing prominent media figures to return from exile in 2019, the Ortega family once again sought to imprison or exile them ahead of the 2021 elections.

Thus, the opportunities for freedom of expression worsened considerably during the review period. For example, Carlos Fernando Chamorro – the country's most prestigious journalist – secretly fled Nicaragua shortly before police raided his home with an arrest warrant in June 2021. His outlet, *Confidencial*, had been banned from the airwaves and today mostly operates from exile. Miguel Mora of 100% Noticias was jailed and accused of treason in 2021, having already spent several months in jail in the wake of the 2018 political crisis. The government also went after *La Prensa*, the country's last remaining print newspaper. In the summer of 2021, authorities seized its facilities and jailed its manager, Juan Lorenzo Hollmann. To the extent that independent media still operate, they do so from exile and rely on anonymous sources and clandestine reporters embedded within the country at enormous risk to their personal safety. In September 2022, the Nicaraguan government also took CNN's Spanish-language channel off the air. Meanwhile, the government used state media

Freedom of
expression

2



or para-state media (much of it owned and operated by members of the Ortega-Murillo clan, most notably the ruling couple's children) to propagate its own version of events. In the most recent Reporters Without Borders report, Nicaragua was ranked 160th out of 180 countries around the world on the issue of press freedom. Shortly after the review period ended, several imprisoned journalists – including the aforementioned Hollmann and Mora – were deported, further underscoring the regime's intolerance for independent media.

The assault on freedom of expression extends beyond the fate of formal media outlets. In 2020, Nicaragua's legislators approved laws, colloquially known as the Cybercrimes Law, that criminalized certain expressions critical of the government not only in media but also on social media. During the reporting period, the government actually enforced these laws, detaining and jailing dozens of Nicaraguans on the basis of views they had expressed through posts on Twitter or Facebook.

3 | Rule of Law

Soon after Nicaragua transitioned to democracy with the 1990 elections, questions arose concerning the separation of powers – a fundamental aspect of the country's constitutional framework. In 2000, elite power-sharing agreements, involving then-President Arnoldo Alemán and FSLN leader Daniel Ortega, led to bilateral control of the judicial and electoral branches of government, irrespective of who held the presidency. These agreements, commonly known as El Pacto or “The Pact,” laid the groundwork for the erosion of democracy following Ortega's rise to power in 2007. Once in the presidency, Ortega and his wife dismantled all checks and balances. Having already solidified their influence over the judiciary and electoral branches through the aforementioned power-sharing arrangements, they took steps in 2016 to eliminate opposition representation in the National Assembly, transforming the legislative branch into a mere facade of a representative institution. None of the state institutions now possess genuine autonomy; instead, they operate under the direct control of the ruling family.

Events during the reporting period did not change this state of affairs. The only significant event was the November 2021 elections, which, by featuring zero competition and an intensification of the police state, eliminated the possibility that critical voices would have even a symbolic presence within the political system. Any member of the legislature not formally aligned with the FSLN has been hand-picked by the regime and consistently rubber-stamps decisions taken by the presidency. The lack of separation of powers is mediated by a strong informality in institutions; most government agencies bear the flag of the ruling Sandinista Front or even more overt propaganda glorifying the ruling couple.

Separation of powers

2

'06 _____ '24 10



Of all the branches of government, the judiciary was the one most severely compromised by the time the current Ortega regime took office in 2007. According to Freedom House in 2021, Nicaragua as a whole “lacks an independent judiciary.” The government has consistently ignored calls to reform the electoral and judicial branches of government – the latter even serving as a key instrument of repression during the review period. It executed the ruling couple’s decisions to arrest or exile critical voices by fabricating charges and constructing legal justifications for their detention. The absence of an independent judiciary has further hindered the ability of the accused and their loved ones to mount viable legal defenses or advocate for more humane treatment within Nicaragua’s notoriously harsh prisons. The governments of the United States and the European Union have imposed sanctions on several top judges and magistrates. Similarly, the Office of the Attorney General acts under the control of the ruling family and has faced international sanctions. In non-political cases, the judiciary may potentially function more appropriately. However, even in these instances, politicization remains prevalent, with those close to the ruling party enjoying significant advantages. Corruption within the judiciary itself poses a significant problem. A 2019 in-depth investigation by Confidential revealed that bribery is commonplace among judges and prosecutors and that these officials are vulnerable to influence from criminal groups.

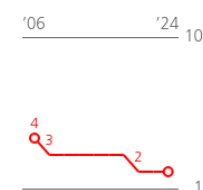
Political corruption is widespread in Nicaragua. Although corruption has long been a fundamental problem in Nicaraguan political culture, it has become more pervasive. Most officeholders who violate the law and engage in corruption are never prosecuted. Bribery, diversion of public funds and the use of public office for private enrichment are common problems. Most cases of corruption are concentrated in and exemplified by the situation of the ruling Ortega family, a nepotistic political project that blurs the line between private economic interests and those of the state.

There is little accountability, and there is little sign that there will be any in the future. Abusive officials usually do not face accountability due to the lack of independence in the judiciary or prosecutors’ office. Furthermore, the current political climate makes it unsafe for civil society or independent citizens to investigate corruption. In 2022, Etica y Transparencia, a prominent watchdog in this field, was stripped of its juridical personhood, along with dozens of other NGOs.

Theoretically guaranteed by the Nicaraguan constitution, civil rights in the country were disrespected during the initial phase of the Ortega regime, systematically violated in 2018 in the context of the regime’s repression of protests and were undermined further during the reporting period. Under strong international pressure, the government has in the past shown some willingness to loosen its grip on political opponents. However, the government has recently become far more intransigent in its repression of civil liberties. This was seen in the arbitrary detention of more than 200 politicians and civil society figures ahead of the November 2021 elections. With the closure of virtually all human rights NGOs, Nicaraguans have been deprived of

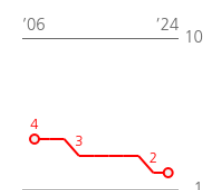
Independent judiciary

2



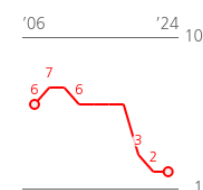
Prosecution of office abuse

2



Civil rights

2



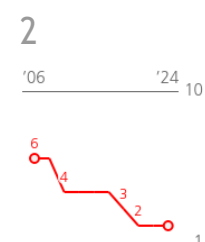
the last remaining mechanism for denouncing violations of civil rights; no reliable mechanisms exist for protecting against such violations. This repressive spree shocked even the most pessimistic observers of Nicaraguan politics. The government's persecution of political opponents only compounds the deprivation of rights due to structural poverty, inequality, misogyny and racism.

The government's assault on civil rights has also affected the Nicaraguan Catholic Church. Catholic churches were one of the few spaces where critical expressions against the government could be made within the context of Nicaragua's police state. Church officials condemned the violent state repression against protesters and were in turn attacked by the regime. During the reporting period, at least five priests (including the bishop of Matagalpa, Rolando Alvarez) and several seminarians who worked with them were jailed. Additionally, several others were deported or forced into exile.

4 | Stability of Democratic Institutions

Within the current political context, democratic institutions are merely a formal shell, as confirmed by the sham general elections of 2021. The country's experiment with liberal democracy, which arguably started with the overthrow of the decades-long dictatorship of the Somoza family in 1979, has now been replaced by another dynastic authoritarian project. Since Ortega's electoral victory in 2006, the FSLN has become the dominant power, gaining control over Nicaragua's democratic institutions and administrations. Ortega and the FSLN have gradually transformed democratic institutions into authoritarian ones, with significant milestones along the way. The 2014 constitutional amendment allowed Ortega to be re-elected indefinitely and run for a fourth term in 2016. Repression has intensified since the 2018 uprising, turning the regime into a repressive and authoritarian entity with practices resembling those of the Somoza regime. In 2021 and 2022, the regime further tightened its control, intensifying the police state both before and after the general elections. Lastly, the sham general election of 2021 confirmed the hollowing out of democratic institutions. Overall, control by Ortega and his wife and vice president Murillo over the National Assembly, local governments and state institutions (such as the Supreme Court of Justice and the Supreme Electoral Tribunal) has hindered the state's ability to administer justice, undermined transparency and the democratic nature of elections, eliminated the independence of the public administration, and ultimately imposed Ortega and Murillo's views on all institutions.

Performance of democratic institutions



The 2021 elections affirmed the significant role of the Ortega family within the political system. Subsequently, President Ortega began referring to his wife, Vice President Rosario Murillo, as “co-president,” suggesting that the family unit itself holds greater importance than the presidency. The Ortega and Murillo children maintain influential positions, with their son Laureano being particularly well-positioned for future leadership. The second-most influential institution is the FSLN, in which the Ortega family holds a dominant position, followed by sectoral interests such as the military or the business class. In the context of an authoritarian regime characterized by analysts as “sultanistic,” state institutions lack genuine autonomy.

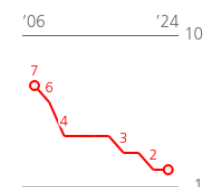
The main change during the review period was that Ortega, after facing protests from 2018 to 2020, managed to neutralize all societal actors who have recently called for elections and human rights to be respected, autonomy for institutions to be re-established, and the separation of powers to be reinstated. This was achieved largely by hunting down and incarcerating political figures from across the ideological spectrum. Additionally, the regime imprisoned numerous business and church elites (shortly after the review period concluded, authorities released most political prisoners but expelled them and revoked their citizenship in the process). Currently, anyone who advocates for a return to democracy in Nicaragua risks immediate imprisonment or forced exile.

5 | Political and Social Integration

After the transition to democracy in the 1990s, Nicaragua struggled to develop a strong party system. The traditional political culture of the caudillo (strongman) undermined the development of features typical of strong parties, such as internal mechanisms for debate and competition or direct participation by members. The weakness of the party system was a major factor in the rise of a personalistic authoritarian government led by President Ortega after 2006. Ortega made the control of the party system a chief component of his political strategy, necessarily weakening it in the process. Through his vertical control over the Supreme Electoral Council, Ortega decided which political actors could or could not participate legally in the political system. During previous reporting periods, Ortega conceded limited legality to opposition actors, though never enough to allow them to compete viably in an open electoral arena. He also pitted opposition actors against one another through this tactic. However, since 2016, authorities have mostly dispensed with these formalities. The remaining parties, outside of the ruling FSLN, are not based in real constituencies. Moreover, the FSLN itself is not organized as a formal political party. Rather, it revolves around the figure of Ortega, who has been the party’s sole secretary-general and presidential candidate since the transition to democracy. The party thus lacks mechanisms for internal accountability or debate. Critics who were once members of the Sandinista movement have faced especially fierce repression by the regime.

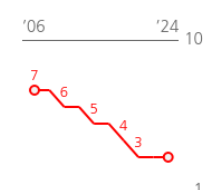
Commitment to democratic institutions

2



Party system

3



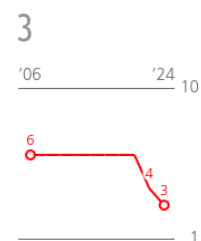
The weakness of the party system means that uncertainty constantly hangs over the political system. One predicament arises from the fact that Ortega and the FSLN party are synonymous, making it difficult to predict what will happen to the ruling party once he is no longer in power. The lack of a genuine party system further intensifies polarization, as citizens' options are confined to either supporting or opposing the regime, without aligning themselves with specific programs or parties.

The spectrum of interest groups is limited. Church and business interests have played an outsized role in Nicaraguan politics in recent years given the weakness of Nicaragua's party system, the lack of democratic institutions and the severe constraints on civil society activity. These interests participated in a co-governing structure with the regime and, for a time, were the main interlocutors between state and society. However, after the 2018 anti-government protests, the church and business elites, including those from the Superior Council of Private Enterprise (COSEP), the main body representing the private sector, generally took an oppositional stance toward the government. Still, they continued to act in place of traditional political parties and civil society in the political system. After they broke their alliance with the regime, they arguably became even more important than before as interlocutors, even when they were neutral or aligned with the regime.

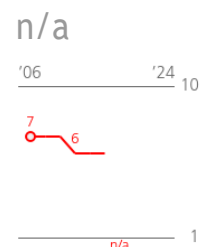
Nevertheless, starting in late 2021, several of COSEP's top business executives were convicted as part of the judicial actions taken by the government against perceived opponents. Much of the Catholic Church's leadership has also been arrested, as Ortega views the Church as part of an opposition movement aligned with foreign interests. This has left the domestic arena without a viable domestic negotiator between state and society. In this context, both the government and civil society expect foreign actors to mediate major disputes and solve the political impasse.

Because Nicaragua is an authoritarian regime, conducting polls or surveys on any topic – let alone one as sensitive as attitudes toward politics – is difficult. But according to a poll conducted by the Latin American Public Opinion Project (LAPOP) in 2021, faith in democracy is fading even as Nicaraguans continue to believe it is the ideal form of government. In 2008, 52% of Nicaraguans believed that voting in elections was a viable mechanism for bringing about change; by 2021, only 21% held that belief. A striking 50% of Nicaraguans said in 2021 that there was no way they could influence change in the political system, compared to only 11% in 2008. Satisfaction with democracy has dropped since 2016, in tandem with rising fear about expressing political views. Still, faith in democracy as the ideal form of government has held more or less steady, with roughly two out of three Nicaraguans supporting the idea in principle. Even as Ortega has consolidated a dynastic authoritarian regime similar to that of the Somoza era, he has not called into question the need for at least a veneer of democratic rule, evidenced by regular, albeit fraudulent, elections. Though popular protest is no longer permitted, in 2021 dozens of political leaders stubbornly refused to renounce their pro-democracy views, going to jail rather than fleeing the country.

Interest groups

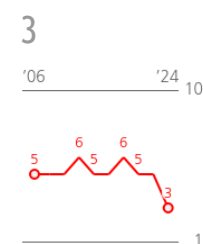


Approval of democracy



During the reporting period, the intensified climate of repression undermined the considerable tradition of trust, cooperation and solidarity between citizens at the local level in Nicaragua. Previously, most Nicaraguans were members of civil society organizations (CSOs) such as women’s associations or trade unions but engaging in such activities has become increasingly difficult. The government has erected obstacles to forming new organizations and made existing groups illegal. For example, during the pandemic period, people came together to enforce self-policing and self-quarantine measures. However, the organizations leading these initiatives were subsequently shut down by the government. The main issue during the reporting period was the imposition of new limits on the voluntary and autonomous organization of associations. In the context of authoritarian consolidation, it is expected that political groups and civil society will face persecution. However, in this case, a wide range of institutions – including book clubs, Operation Smile, religious groups and private schools – have been criminalized as a means of further increasing the ruling party and family’s control over public life. According to the AmericasBarometer survey conducted by LAPOP, the percentage of Nicaraguan citizens who express trust in their neighbors or community (51% in 2021) is the lowest observed since at least 2004.

Social capital



II. Economic Transformation

6 | Level of Socioeconomic Development

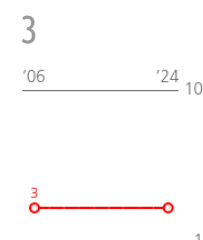
Nicaragua remains one of the poorest countries in the Western Hemisphere. Under the so-called neoliberal governments of the 1990s and the regime of the Sandinista Front – which expanded some social policies – progress has been achingly slow. However, despite the significant political instability of recent years, Nicaragua’s Human Development Index (HDI) score improved from 0.654 in 2020 to 0.667 in 2021 (the most recent data that applies to the reporting period). The country fell to 129th place in the index in 2020, the worst rank the country had held since 2011, but rebounded to the 126th spot during the current reporting period. The country’s Gender Inequality Index score continues to improve, reaching 0.424 in 2021, but it still remains below the Latin American average. The overall loss in HDI to inequality fell from 22.8% in 2020 to 22.6% in 2021.

Due to a general lack of transparency, poverty and inequality remain difficult to measure in Nicaragua. We only have Gini index values for 2014 (46.2). Though the government continues to release poverty statistics showing progress that is subsequently reported by the World Bank, the country’s most trusted source of information on poverty – the Fundación Internacional Para el Desafío Económico Global (FIDEG) – was raided by police and shut down in November 2021,

Question

Score

Socioeconomic barriers



presumably for publishing data that contradicted the official narrative of progress. According to the central bank, roughly 16% of the country is living in poverty, but FIDEG was reporting figures as high as 44% in 2019.

One measure of socioeconomic barriers is the number of Nicaraguans who are leaving the country. This figure grew exponentially during the reporting period. According to a survey conducted by LAPOP, 52% of Nicaraguans expressed a desire to leave Nicaragua in 2021 – compared with 30% in 2019 – with 53% of them citing economic reasons. In 2022, U.S. authorities registered the largest number of Nicaraguans ever attempting to enter the country, following a spike that began in 2021.

Economic indicators		2019	2020	2021	2022
GDP	\$ M	12699.0	12678.2	14145.9	15671.6
GDP growth	%	-2.9	-1.8	10.3	3.8
Inflation (CPI)	%	5.4	3.7	4.9	10.5
Unemployment	%	5.2	5.9	5.9	5.6
Foreign direct investment	% of GDP	4.0	5.9	8.6	8.3
Export growth	%	6.1	-9.0	18.1	8.6
Import growth	%	-3.8	0.1	21.1	5.0
Current account balance	\$ M	754.1	456.1	-438.5	-215.9
Public debt	% of GDP	41.1	47.3	46.2	43.9
External debt	\$ M	13191.6	13593.3	14354.2	-
Total debt service	\$ M	2268.7	1658.6	1367.7	-
Net lending/borrowing	% of GDP	0.3	-1.1	-0.7	-
Tax revenue	% of GDP	17.4	17.1	18.9	-
Government consumption	% of GDP	15.2	15.2	15.4	13.8
Public education spending	% of GDP	4.6	4.6	4.1	-
Public health spending	% of GDP	5.3	5.3	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	0.6	0.6	0.5	0.5

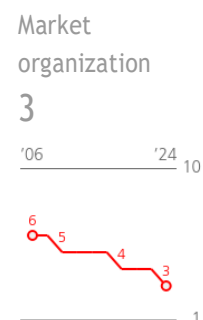
Sources (as of December 2023): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Despite the left-wing rhetoric of the FSLN government, it has maintained a market- and export-oriented economic model. The private sector plays a key role in both short- and long-term economic strategies. However, the Nicaraguan economy is currently confronted with several challenges that have become more severe in the midst of the country's political crisis. Over the years, a lack of independence within the judiciary, a weak regulatory framework and ongoing corruption have hindered the business climate. In addition to issues concerning institutional weakness, competition within the marketplace is compromised by an authoritarian system that grants greater access to those connected to the ruling family, while placing unusual barriers before those outside the Sandinista Front sphere. President Ortega's persistent consolidation of authoritarian power during the reporting period does not bode well for improvements in these areas.

The government is eager to attract foreign investment, and, in principle, the law ensures equal treatment of both domestic and foreign investors, while creating a regulatory framework to establish transparency. Nevertheless, there are barriers to investment efforts. All companies must register in person (e.g., with the social security administration, local municipality or national tax administration) since there is no online registration platform available. And while the registration process should take around two weeks, it in fact takes much longer (around 42 days for foreign-owned limited liability companies). Moreover, regulation implementation is de facto obscure and arbitrary. The government fails to foster nondiscriminatory competition. Instead, the Ortega-Murillo regime maintains direct control over several economic sectors as a means of enriching supporters. State-controlled businesses receive non-market-based advantages, such as tax exemptions, which are not given to private actors. Investors regularly report that regulatory authorities are biased toward certain competitors, negligent or simply sluggish in implementing the law. Besides, while the 2020 Foreign Agents Law is only supposed to target NGOs, there have been instances in which foreign entities have been required to register or terminate social responsibility endeavors. There have also been reports of tax authorities arbitrarily seizing properties and jailing individuals without due process until taxes were paid or negotiated. Customs inspections and fines are also applied in an arbitrary manner, mainly affecting foreign businesses that import goods.

In all, the Nicaraguan regime has created an unappealing environment for foreign companies. The rules for market participants are not equal, favoring loyalists to the Ortega-Murillo duo rather than functioning objectively in a transparent manner. The legal framework remains weak. Moreover, the labor market is characterized by extreme levels of informality, with 80% of urban workers in the informal sector, according to the government's own figures.



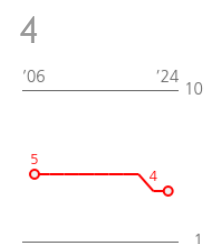
Legal processes created in the past two decades to promote competition and undermine monopolies have largely gone unenforced or ignored. In 2007, Law 601 for the Promotion of Competition came into force and laid the framework for an anti-monopolistic competition policy. The law established the National Institute for the Promotion of Competition (Procompetencia), which is part of the International Competition Network, to encourage free competition among economic agents and discipline businesses engaged in anti-competitive practices. While the institution continues to inform private businesses about the fundamentals of the national regulatory framework, it has failed to exercise effective power to prevent the perpetuation of oligopolies or even monopolies in certain industries. Indeed, during the reporting period, Procompetencia received minimal coverage in Nicaraguan media, including state-owned or FSLN-operated outlets. Ultimately, the Ortega-Murillo regime maintains control over all decisions concerning competition.

More recently, state intervention – and, more notably, the expansion of economic interests with ties to the ruling Ortega family – have further undermined free competition. Specifically, business sector representatives have complained that, in the context of a worsening political and economic context, state authorities have unfairly targeted firms seen as being associated with regime opponents with extraordinary and arbitrary rates of taxation. This form of fiscal repression contradicts the competition policies implemented in previous years. Additionally, companies that are controlled by the state are sometimes even granted monopolies via legislation.

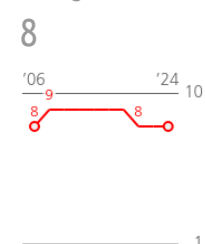
The latest Trade Policy Review by the World Trade Organization notes that Nicaragua’s growth over the past decade depends on foreign trade (the average of applied most-favored nation tariffs is around 6.2%). Textiles and textile articles have become increasingly important as a share of exports. According to the same report, Nicaragua makes very limited use of non-tariff barriers to trade. Despite the sometimes anti-capitalist rhetoric used by Sandinista Front leaders, Nicaragua’s economy has remained open, and trade policy is mostly influenced by commitments made by previous governments within international agreements such as the Central American Common Market and the Central America-Dominican Republic Free Trade Agreement (CAFTA-DR). The primary challenge to trade liberalization is not ideological but rather organizational; trade strategy, along with other policy areas, is shaped by the informal and hierarchical nature of the Ortega authoritarian regime, with members of the family’s inner circle personally directing efforts to attract foreign direct investment.

The government’s repression of local opposition, and its conflict with several hemispheric governments, has raised questions about the long-term liberalization of the trade system. For example, some voices in the U.S. policymaking community have called for the imposition of broader economic sanctions on the Ortega government. These sanctions could include revoking Nicaragua’s membership in CAFTA-DR or expanding measures under the Nicaragua Investment Conditionality

Competition policy



Liberalization of foreign trade



Act (NICA), which is designed to block the Nicaraguan government from accessing international lending. Meanwhile, Nicaragua's attempts to establish trade relationships with alternative partners such as Russia, China and Iran have not been successful.

In practice, trade with the United States – Nicaragua's largest commercial partner – has continued to grow, despite the sanctions imposed by Washington on individual regime officials. According to U.S. Census data reported by journalist Andres Oppenheimer, the value of Nicaraguan exports to the United States increased from \$3.2 billion in 2017 to a record \$5.7 billion in 2022. However, exports to China have also experienced significant growth in recent years, rising at an annualized rate of 37.5%.

According to a report delivered by the International Monetary Fund (IMF) toward the end of 2022, Nicaragua's banking system is well capitalized and liquid. The net domestic assets of the banking system recovered very strongly after the end of the pandemic and the restoration of government control in the wake of the 2018 protest movements. Similarly, the IMF reported that the ratio of non-performing loans to total loans decreased in 2021. Importantly, banks once again began providing credit, albeit cautiously, after having restricted lending during the period of political instability in 2018. Though the country has made progress, Nicaraguans typically have fewer bank accounts than their peers across the region, and banks have overall reduced the number of branches across the country since 2018. Additionally, the banking sector remains concentrated around the Banpro, LAFISE, BAC and Fichosa banks, which control around 77% of Nicaragua's market. According to World Bank figures for 2021, the bank capital-to-assets ratio was 8.2%, below the pre-pandemic level of 9.3%.

The national financial system and stock market have been forced to face constant challenges related to the country's political conflict. As part of its recent crackdown on NGOs, the government retracted the legal status accorded to ASOBANP, the Nicaraguan association of private banks. Many analysts interpreted this move as a punitive action, with the government retaliating against banks for closing the accounts of numerous regime officials that had been sanctioned by the United States and/or the European Union. ASOBANP has been critical of various state monetary policies in recent years. Acting in concert with the central bank, the main entity charged with regulation of the banking system – the Superintendency of Banks and Other Financial Institutions (SIBOIF) – exerted pressure on commercial banks to defy international financial frameworks and continue doing business with regime officials sanctioned by the United States and other governments.

Banking system

6

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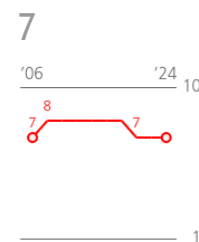
8 | Monetary and fiscal stability

Unlike regional allies such as Venezuela, the Ortega government has prioritized maintaining monetary stability. The International Monetary Fund (IMF) has commended the government’s decision to tighten its monetary policy in response to changing global conditions and increasing inflation rates. In October 2022, the inflation rate reached 12% (year-on-year), primarily driven by rising import prices, according to the Economic Commission for Latin America and the Caribbean (ECLAC). However, it is expected that inflation will wane in 2023, aligning with the anticipated moderation in international commodity price hikes. The exchange rate has remained relatively stable. In 2022, the World Bank reported that the real effective exchange rate was 97.0 compared to 93.0 in 2021 and 96.0 both in 2020 and 2019.

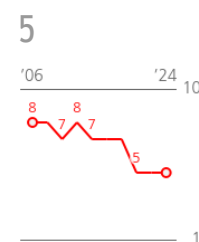
With that said, the government’s success in this area faces challenges moving forward. For example, the protracted political crisis – which includes, among other things, the constant threat of international sanctions being imposed on Nicaraguan economic activity – hangs over the business climate. The authoritarian nature of the regime also means that central bank data is prone to manipulation and may lack transparency. Compared to other state institutions, the central bank enjoys a relatively strong reputation for professionalism and autonomy. But since the political crisis began in 2018, it has proved increasingly unable or unwilling to provide transparent data and reports.

Compared to other governments nominally identified as left-wing in Latin America, the Sandinista Front regime has pursued macroeconomically prudent strategies. The government’s fiscal and debt policies generally promote macroeconomic stability but lack institutional safeguards and are vulnerable to permissive policy changes. By adopting sound fiscal policies, Ortega’s authoritarian project has enjoyed growing acceptance over the years from the local business elite and international lending community. However, this changed with the violent repression of protests in 2018 and the transition to full autocracy. As the government was forced to expend increased sums on security to maintain a police state, spending patterns became somewhat less sustainable. And as the economy contracted severely in the context of the political crisis, the government has alarmed some economists by actually increasing spending on infrastructure and other public works projects. Government consumption, according to World Bank figures, stood at 14.2% of GDP in 2021. Additionally, public debt has continued to rise steadily over the past decade. According to IMF data, public debt reached 49.4% of GDP in 2021 (up from 28.8% 10 years earlier). Total debt has also risen, surpassing \$12 billion in 2020, according to the World Bank. ECLAC reports that the external share of total debt dropped from 84.6% to 82.5% between late 2021 and the first half of 2022. With that said, the IMF considered the government’s fiscal policy stance in 2022 to be “appropriate” and consistent with a “commitment to safeguard fiscal sustainability.” The IMF expects public sector deficits, which grew in recent years, to improve in the post-pandemic era.

Monetary stability



Fiscal stability



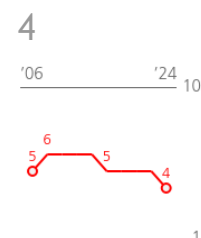
9 | Private Property

Weak property rights and strong land tenure conflicts have been a hallmark of Nicaraguan history. However, the transition to democracy and market economics in the 1990s and early 2000s brought significant progress, a trend that was largely upheld by the subsequent authoritarian regime under President Daniel Ortega. Despite the persistence of property disputes and poorly enforced rights – in large part due to an inefficient, corrupt judicial system influenced by extrajudicial factors – the situation did not deteriorate significantly until the 2018 political crisis. In the midst of the repression of anti-government protesters and civil society, supporters of the FSLN illegally seized land owned by opposition-allied individuals, with both the implicit and explicit backing of authorities. Furthermore, the government confiscated property belonging to critical news outlets and civil society NGOs, a tactic that became increasingly frequent and prominent during the reporting period. Prior to the crackdowns that silenced any government criticism, business leaders warned that these arbitrary seizures would hinder private investment.

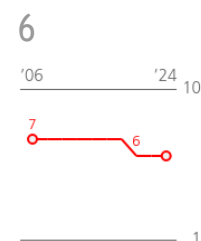
To cite one example, the government expropriated the assets and facilities of the La Prensa newspaper in August 2022 (along with at least two other media organizations). It also confiscated the assets of at least six private universities. In December 2021, the government seized the properties and assets of the Taiwanese diplomatic mission after breaking diplomatic ties; similarly, it seized and occupied the facilities that housed the Organization of American States mission expelled in 2022. The de facto occupation of rural farms by FSLN supporters has continued, as has the violent conflict between rural settlers encroaching on lands that are constitutionally recognized as communally held by Indigenous groups in the Caribbean Coast regions.

Despite breaking its alliance with the Consejo Superior de la Empresa Privada (COSEP, the federation of chambers of commerce) and its president and vice president ahead of the 2021 elections, the government has not shown any signs of fundamentally rethinking Nicaragua's economic model. Thus, the private sector is still seen as an important engine of economic growth. Although the Ortega regime has increased state control in some areas of the economy (there is no major ongoing privatization initiative), and though private businesses are subject to retaliation for expressing political views, the International Monetary Fund reported cautious recovery in credit and private sector investment during the reporting period. Indeed, the Ortega family's own rising prominence as a business actor has further consolidated the consensus around markets and private enterprise in the country. For example, a major investigation by Confidencial in early 2022 uncovered the Ortega clan's particular weight in the construction, publicity, communications and energy industries. Neither local businesspeople nor foreign observers in the international financial system take President Daniel Ortega seriously when he alludes to socialism as a point of reference for the economic model.

Property rights



Private enterprise



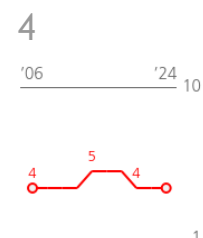
10 | Welfare Regime

It is much harder than in previous reporting periods to obtain credible data on poverty, as regime authorities recently closed the Fundación Internacional Para el Desafío Económico Global (FIDEG), the country's most respected tracker of poverty and inequality. FIDEG last reported in 2019 that around 44% of the population lived in poverty, which contradicted the much more positive government figures (16% in 2019). While the poverty rate is greater in rural areas than in urban areas, Afro-Nicaraguan and Indigenous communities are particularly affected. In May 2022, the government also ordered the closure of the Fundación Nicaragüense para el Desarrollo Económico y Social (FUNIDES), a private-sector think tank that also compiled and published important data related to economic growth and social safety nets. Thus, we can rely only for the most part on data provided to the World Bank by the Nicaraguan government itself.

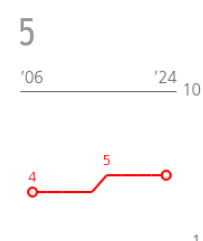
Life expectancy was reported at 74.7 years in 2020, which is only slightly below the Latin American average. While maintaining the market-focused strategy of prior regimes, the ruling FSLN has sought to expand social programs and implement new ones. For example, health spending (5.1% of GDP) is nearly twice that of neighboring Honduras. In the context of the political crisis and pandemic, however, the government was forced to make cuts in some social programs to keep funds available for increased spending on security forces. In fact, cuts to one such program – the country's social security system – helped spark the 2018 anti-government, pro-democracy protests in the first place. According to ECLAC, the Nicaragua Social Security Institute (INSS), which oversees the country's social security system, had around 17,000 more active affiliates in November 2022 (total of 787,000) compared to a year earlier. Notwithstanding, this figure was 127,000 more in late 2017. Moreover, social assistance programs – for instance, in the areas of housing assistance, microcredit provision, and direct transfers of food and food inputs – were already limited in the past by the clientelistic, patronage-based nature of the welfare system (only people with ties to FSLN have access) as well as its informality (many Nicaraguans are not reached by the state).

There is a significant disparity between men and women in the labor market, particularly in rural areas. According to the World Bank, the rate of labor force participation among women reached 38.4% in 2022 – an improvement from the recent low of 37.9% in 2019, yet still lower than the peak of 38.6% in 2017. Furthermore, Nicaragua ranks poorly in terms of the gender pay gap, placing 120th out of 146 countries in the Global Gender Gap Index 2022. However, available data does not reveal substantial differences between genders in terms of literacy or primary school enrollment. In fact, women are slightly more likely than men to enroll in secondary or tertiary educational institutions. As for political empowerment, gender parity has been achieved in government representation. As of February 2022,

Social safety nets



Equal opportunity



women accounted for half of the 18 national government cabinet ministers and made up half of the National Assembly's membership. Women also hold half of the positions of mayors, vice mayors and municipal council members around the country. These achievements are the result of Nicaragua's implementation of the Law on Equality of Rights and Opportunities (Law 648) in 2008 and the Law 50-50 for Parity in 2012. The latter reform amended the Municipal Code to establish gender equality in the election of mayors and vice mayors.

The vice presidency of Rosario Murillo – and her attempts to position herself as next-in-line for power – has further normalized women in leadership roles. However, this is undermined somewhat by the state's authoritarian activities; the government has also ruthlessly pursued women's movements in particular, because the independent women's movement has historically been at odds with authoritarian regimes of all stripes, including this one. A major touchstone in this social movement's conflict with the regime was the 2007 prohibition and criminalization of abortion. Moreover, it is unclear how much de facto influence women have in governance, as Ortega and Murillo essentially control all decisions.

A major transversal problem with regard to equality of opportunity is the persistent marginalization of Nicaragua's ethnic minorities, most of which are concentrated in Caribbean Coast regions. In August 2022, the U.N. Committee on the Elimination of Racial Discrimination expressed alarm that the Nicaraguan government was failing to respect Indigenous and Afro-Nicaraguan groups' property rights and was not protecting them from unusually high levels of violence. While these groups, especially those in the Mayangna Sauni As territory as well as the Caribbean region more generally, face increasing violence from settlers from the Pacific region, they also face massive systemic problems reflected in their disproportionately high levels of poverty and precarity.

11 | Economic Performance

Though economic performance has been increasingly difficult to measure following the government's recent closure of major national think tanks devoted to this task, there is reason to believe that the Nicaraguan economy is successfully recovering from the dual related challenges of the 2018 political instability and the coronavirus pandemic. The International Monetary Fund (IMF) estimated a GDP growth rate of 10.3% in 2021, following three years of contractions, and projects 4.0% growth in 2022. According to the World Bank, GDP per capita (PPP) grew from \$5,466 in 2020 to \$6,195 in 2021, meaning that Nicaragua has finally restored and surpassed the levels achieved in 2017, prior to the aforementioned crises (nominal GDP, which dropped below \$13 billion (in current U.S. dollars) in 2019-20, surpassed \$14 billion in 2021). It is unclear whether this strong growth is due to the strategies adopted during the pandemic (the government opted against suspending business or other

Output strength

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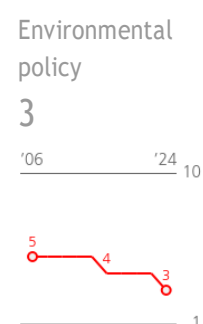
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public activities, or closing borders, in order to mitigate the spread of the virus) or whether it is the result of a natural “slingshot” effect in response to the severe contraction seen in the period from 2018 to 2020. In 2021, Fitch Ratings revised its outlook for the Nicaraguan economy from “Negative” to “Stable” and affirmed this status in 2022. The government has shown itself to be surprisingly resilient to international sanctions related to the erosion of democracy and human rights abuses. However, weak governance is a threat to output in the long run, as increased sanctions (or the possibility of escalated conflict) could limit access to resources or weaken the investment climate. The unemployment rate remains at 5.6%, higher than pre-political crisis levels (3.3% in 2017).

12 | Sustainability

Environmental policy is not a significant concern for the government. As part of its crackdown on NGOs in the 2021/2022 period, it ordered the closure of major environmentalist organizations such as the Centro Alexander von Humboldt para la Promoción del Desarrollo del Territorio y la Gestión del Ambiente. The country’s best-known environmental activist, Amaru Ruiz Alemán, was charged with political crimes and forced into exile in 2021. Citizen-led environmental efforts are frowned upon. Meanwhile, the government’s own environmental agencies (MARENA, INAFOR, ANA) are not proactive, being plagued by the same deficiencies common to other state institutions.

According to the United Nations Development Program, Nicaragua is vulnerable to climate change due to the increasing frequency and intensity of floods, landslides, droughts, tides and hurricanes. In 2022, for instance, Nicaragua experienced above-average rainfall, including uninterrupted rain during the canícula period, which typically lasts four to six weeks and is a time when rain stops and planting and harvesting take place. Hurricane Julia, in October 2022, also impacted about 60% of Nicaraguans, with damages amounting to approximately 2.4% of GDP. These climate-change effects disproportionately affect ethnic minorities in the Caribbean Coast region. However, the national budget allocated to environmental agencies remains low, at less than 1% of state spending. Ecosystem vitality, along with other environmental concerns, is deteriorating each year. According to the 2022 Environmental Performance Index (EPI), Nicaragua dropped to 110th out of 180 countries (it was ranked 97th as recently as 2018). Tax and energy policies prioritize maximizing state revenues rather than considering environmental impacts.

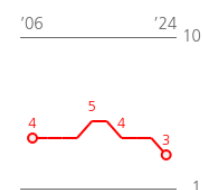


Nicaragua's score on the U.N. Education Index remained stable at 0.589 between 2019 and 2021. Compulsory, free public education is a core component of the educational system, and the Nicaraguan government spent 4.5% of GDP on education in 2020, according to World Bank figures. However, the low Education Index score reflects persistent problems, such as the high number of children out of the education system, as well as low completion rates at the primary and secondary levels. These figures are more difficult to measure and audit given the closure, as part of a general assault on civil society, of think tanks and NGOs dedicated to education policy. Illiteracy remains a problem; the literacy rate, according to the most recent World Bank data available from 2015, was 82.6% at that time. Data for other key indicators – such as those related to educational attainment – is sparse.

There is very little research and development expenditure to speak of, with the most recent data from the World Bank putting this at 0.1% of GDP. Furthermore, the government has cracked down on research institutions within the context of its maintenance of a police state, creating an environment completely hostile to scholarly endeavors. For example, at least 12 universities had their legal status canceled in the 2021/2022 period, coming instead under state control. Additionally, many NGOs, such as FIDEG and FUNIDES, which had significant research arms, have been closed.

Education policy /
R&D

3



Governance

I. Level of Difficulty

Nicaragua faces many of the same structural, historically rooted constraints common to many Central American countries. Poverty and extreme poverty rates remain very high by Western Hemisphere standards. Access to basic resources and services has and continues to be extremely skewed, with economic – and political – power concentrated in relatively few hands, despite the Sandinista Front government’s policy efforts to expand social programs. Similarly, an expanding infrastructure network, especially with regard to the road system, has not expanded fast enough to accommodate a growing population or to connect the historically marginalized Atlantic Coast regions with the capital, Managua or the more densely populated Pacific regions more generally. Frequent natural disasters, such as hurricanes, undermine growth and governance and threaten to grow more severe as this part of the world experiences the effects of climate change.

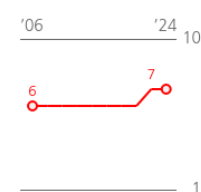
The coronavirus pandemic threatened to compound these structural challenges with devastating effect. Data on the human toll is unavailable because the government has refused to provide even minimally transparent data. However, the economy weathered the crisis much better than expected, with GDP per capita growth rebounding after a severe contraction during the 2018/2019 political crisis. With that said, the aggravation of the political conflict during the reporting period has reduced the possibility that any of the above structural constraints can be overcome in the near future. Moreover, the state of repression adds new constraints. For example, international sanctions on rights-violating officials have made it harder for the government to attract foreign direct investment or development assistance.

Civic engagement suffered greatly during the period under review. Instead of taking measures to address the political conflict that commenced in 2018, the government launched a major offensive against civil society groups and non-governmental organizations, especially those reliant on aid from the international community. Many civil society groups were associated with the opposition coalition Unidad Azul y Blanco (UNAB), which emerged during the 2018 protests but was virtually dismantled by the regime prior to the 2021 elections.

In May 2022, the U.N. Human Rights Office condemned the government for severely and arbitrarily limiting civil society, including the country’s main human rights organizations, groups advocating for women’s and Indigenous peoples’ rights, and others promoting education and public health. The UN reported that since 2018, 209

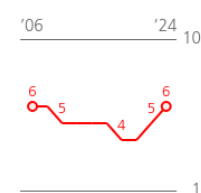
Structural
constraints

7



Civil society
traditions

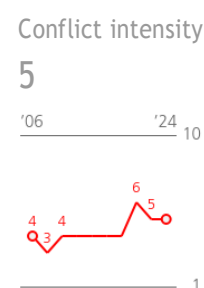
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organizations have been closed down, with 137 closures occurring in that year alone. As the government intensifies its crackdown on independent civil society, public life – unless devoid of any political or social significance – is increasingly regulated and controlled by the ruling Sandinista Front. Moreover, associations affiliated with the ruling FSLN have little autonomy of their own. In the long run, the diminishing number and activity of civic associations will undoubtedly erode social trust, signifying a departure from the past.

The transition to democracy in the 1990s played a pivotal role in fostering a thriving civil society that diligently held governments of all ideologies accountable and advanced the rights of various social movements and minority groups. One recent instance of civil society resistance is the Observatorio Ciudadano, a coalition of public health experts, doctors and journalists that emerged in 2020 to independently report on the extent of deaths and infections during the COVID-19 pandemic. While the government refused to implement stay-at-home orders or other common mitigation strategies, the Observatorio initiated citizen-led mitigation efforts like quarantines. However, ahead of the 2021 elections, the government dismantled the Observatorio by threatening its main collaborators with imprisonment on charges of spreading false information and conspiring against the government.

After two decades in which democratic institutions and processes allowed politics to unfold relatively peacefully, Nicaraguan politics have adopted an increasingly confrontational style in recent years. The crackdown on massive pro-democracy protests in 2018 marked the most severe peacetime massacre in Nicaraguan history. This repression has exacerbated the traditional polarization between Sandinista and anti-Sandinista factions, but it has also created new divisions between those who support the regime and those who desire regime change, irrespective of their historical political affiliations. The likelihood of violence has diminished due to the success of the police state in discouraging any form of street mobilization. Prior to the 2021 elections, prominent opposition leaders – those who, under different circumstances, might have mobilized Nicaraguans to protest – were imprisoned or compelled to flee into exile. However, while the immediate threat of violence has diminished, polarization has sharply escalated as a consequence of these actions (even though one faction, representing the majority of Nicaraguans who seek a change in government, lacks the means to openly confront the other). By persecuting the Catholic Church, the government has further deepened the divisions between different Christian denominations in the country.



II. Governance Performance

14 | Steering Capability

The current government prioritizes the ruling family's hold on power in the short run and the concentration of power in the hands of the FSLN in the long run. While the Sandinista Front was once characterized by leftist or socialist ideology, it currently lacks discernible ideological preferences or programmatic goals beyond protecting the interests of the Ortega family. The dictatorship's personalistic and "sultanistic" qualities make it challenging for policymakers to establish strategic goals or prioritize national interests, as these interests are conflated with those of the presidential couple and their children. The existing informality of the FSLN party and state institutions further erode strategic capacities.

In July 2021, the government published a four-year plan to reduce poverty based on a vague model of "faith, family and community." However, in the past, the FSLN government has not closely followed (or even referred to) the strategic goals outlined in such documents. When Ortega addressed the nation before and after the November 2021 concerns, the content of his speeches typically ignored public policy matters. Instead, the focus was on the political conflict with the opposition – explaining, for instance, the decision to arrest most of the opposition leadership – or assuming a defiant posture vis-à-vis foreign governments critical of the government's human rights record. Another clear goal of the government is to maintain the unity and coherence of the FSLN base, which represents a minority of the population according to the limited polling data available.

In the long term, achieving the government's primary strategic goal – sustaining the Sandinista Front's hold on power despite domestic discontent and international isolation – will be challenging due to the regime's dynastic qualities. President Ortega has sought to position his wife as his potential successor in the presidency (potentially followed by his children), but it remains uncertain whether key stakeholders within the Sandinista Front or influential societal actors such as the armed forces would tolerate this dynastic transition. Consequently, the question of succession poses a significant concern for both the Ortega regime and society as a whole.

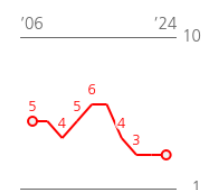
In the short term, the Ortega family has demonstrated proficiency in leveraging centralized resources to divide and neutralize opposition factions. Furthermore, the government has surprisingly exhibited resilience in the face of international criticism.

But beyond the implementation of security and political objectives, the public administration faces significant constraints. For example, development agendas – such as the four-year plan to combat poverty – are subordinated to the short- and long-term political interests of the ruling family. The document itself attributes any

Question
Score

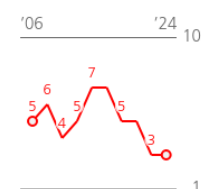
Prioritization

3



Implementation

3



instances of social misery or deprivation to foreign plots and previous governments, without acknowledging any mistakes or failures by the Ortega government since 2007. The lack of self-criticism from top officials, coupled with the inability of low- or middle-level officials to raise concerns, hampers implementation at all levels. Decentralization, which is necessary to implement certain public policies, goes against the regime's *modus operandi*.

The Ortega government has consistently shown little interest in retroactive analysis or learning from its past policies. In recent times, its traditional distrust of international experts and institutions has reached new heights. For instance, the Nicaraguan Foreign Ministry adamantly rejected calls by Mexico and Argentina to release the opposition and civil society leaders who were imprisoned prior to the 2021 elections. These political prisoners were eventually released in February 2023, shortly after the review period had concluded, but they were deported and had their citizenship revoked in the process. Moreover, while the government used to seek input from private sector leaders on major economic matters, it now perceives the business sector as a hostile entity and dismisses its advice. In fact, the government not only disregards advice but actively discourages discussions pertaining to public policy. Government ministries often provide opaque, infrequent and frequently contradictory policy statements and do not operate independently without clear directives from the presidency. The Ortega family's firm control over institutions also stifles internal debates and analyses within the government, further diminishing the likelihood of policy learning in this context.

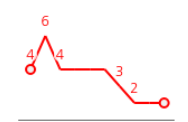
15 | Resource Efficiency

As the second- or third-poorest country in the Western Hemisphere, depending on the precise measure, Nicaragua provides its rulers with relatively limited resources. Historically, these structural constraints have been exacerbated by revolutions, civil wars, foreign intervention and other instances of political upheaval. The transition to liberal electoral democracy in the 1990s and early 2000s brought a period of political stability that, in turn, brought sustained economic growth at a rate above the Latin American average. Initially, the Ortega government also enjoyed favorable international conditions, including high commodity prices and generous financial assistance from oil-rich Venezuela until 2014. The government used increased revenues to expand social assistance programs, though without attempting a structural redistribution of wealth or land ownership. But the rise and prolongation of a severe political crisis have once again cast a shadow over the Nicaraguan economy. After rebounding from a sharp contraction in the immediate aftermath of the 2018/2019 political crisis, the prospects for strong growth seem dim moving forward. Efficiency, moreover, is undermined by a strong politicization of institutions that rewards loyalty rather than talent or experience (alignment with the Ortegas' political project is a key precondition for being a civil servant). Finally, the government has

Policy learning

2

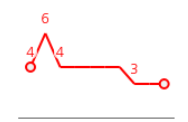
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Efficient use of assets

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recently assumed high levels of state debt in order to sustain the same levels of public spending as before, albeit under much worse economic conditions. There is no true parliamentary budgeting process to speak of, nor is there any opportunity for elected representatives or civil society to monitor spending and the use of resources.

On one hand, policy coordination problems are mitigated by the fact that power is centralized in the hands of the Ortega family and their inner circle. From the outside, internal policy disputes are never visible—many cabinet members appear to play roles that are only symbolic, or at best simply execute directives handed down from above. The most important policy matter during 2021 and 2022 was the government’s handling of political opponents ahead of the November 2021 elections. By all accounts, the detainment of dozens of political, business, civil society and religious leaders by the police was ordered by the presidential couple. The judiciary and the Ministry of Governance retroactively built cases against the political prisoners to justify arbitrary prison sentences previously determined by the presidency.

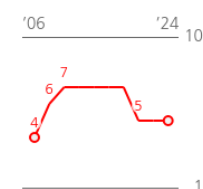
On the other hand, this extreme centralization of power hampers policy coordination in many ways. Government agencies cannot communicate horizontally with one another without receiving vertical approval from a small inner circle close to the presidency. This in turn exacerbates the deprofessionalization and atrophy of important governing institutions. Finally, the centralization of power means that the coordination of any policy must first consider security aspects related to the protection of the ruling family and their hold on power.

Anti-corruption efforts are generally lacking and ineffective in Nicaragua. In November 2022, the IMF observed that the Comptroller General’s Office began collecting asset declarations from public officials. However, these minor measures are overshadowed by the extensive misconduct committed by regime officials. Nicaragua’s 2007 Law on Access to Public Information has proven to be ineffective in ensuring transparency for citizens regarding budget management, oversight of state contracts or the preservation of integrity among public officials.

On paper, Nicaraguan institutions are designed to protect against corruption. Laws against bribery and tax evasion, for example, carry heavy penalties. But such measures are not enforced in reality. The lack of real anti-corruption practices is especially evident in the electoral system. With the theoretical aim of preserving its autonomy and professionalism, the Supreme Electoral Council was constituted as an independent, coequal branch of government. In practice, the electoral authorities have used their control over party financing rules to advantage the ruling Sandinista Front, reward collaborationist parties and keep opposition parties out of the political arena. Many of these problems predate the Ortega government but have been exacerbated by the ruling family’s informalization of state institutions and illicit expansion within the Nicaraguan economy.

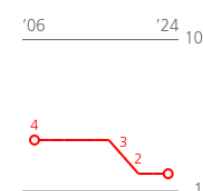
Policy coordination

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Anti-corruption policy

2



16 | Consensus-Building

The consensus around liberal democracy that accompanied the resolution of the devastating civil war in the 1980s has collapsed in recent years. The Ortega regime's definition of democracy emphasizes the need for strong, centralized leadership in the hands of the Sandinista Front and denies the importance of changes in government via competitive elections, a multiparty political system or free debate. According to the official view, only Ortega and the FSLN can maintain economic growth and social peace. In contrast, opposition parties, civil society and their backers in the international arena demand free elections and the restoration of civil liberties. At least so far, opposition leaders – most now in exile – have maintained a strong rhetorical commitment to democratic norms and defined a return to free and fair elections as a national priority. They see the Ortega family's continued hold on power as incompatible with the country's stability and economic development.

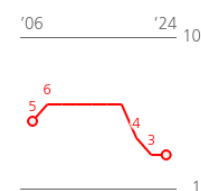
These differing perspectives have divided society into factions that support or oppose Ortega, with only the latter group having the ability to develop and carry out strategic objectives for the country. For example, the Unidad Azul y Blanco (UNAB) and Alianza Cívica (AC) – the two primary opposition coalitions that formed during the 2018 pro-democracy demonstrations – have been severely weakened due to the regression of the regime during the review period. While the authoritarian government previously sought input from the Catholic Church and influential business leaders, it now excludes these actors from participating in any strategic planning processes.

Major political actors mostly agree on a marketeconomic framework but disagree with regard to its basic features. Opposition parties (PLI, PLC) and oppositional coalitions (Unidad Nacional Azul y Blanco, Alianza Cívica) continued to advocate for a market-based economy. Nevertheless, before and after the 2021 general election period, the government arrested nearly every leading figure associated with anti-Ortega political groups, including the Alianza Cívica and the Unidad Nacional Azul y Blanco.

Since the 2018 political crisis, COSEP and a significant number of companies have decided to support the opposition. Previously, the government consulted with private sector leaders on major economic issues, but it now considers the business sector a hostile actor and no longer listens to its advice. As part of the judicial actions taken against perceived opponents of the government, several senior COSEP representatives were even arrested in 2021 and 2022. Meanwhile, the state's presence in the market economy continues to expand. The Ortega-Murillo regime favors government-managed enterprises and industries dominated by ALBANISA, a private company originally created to manage external investment funds, primarily from Venezuela. ALBANISA, which maintains a large presence in the Nicaraguan economy and has close ties to the government, shows little interest in adhering to competition laws or the principles of the free market.

Consensus on goals

3



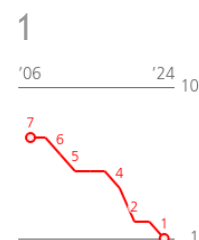
Nicaragua ceased being a functioning democracy in 2016, when the government held non-competitive elections, perpetuating President Daniel Ortega's power and installing his wife as vice president. Previously, Ortega pushed a constitutional reform through the National Assembly that abolished the term limits that had nominally prevented his re-election. However, the 2018 political crisis marked a further change because the anti-democratic forces in power resorted to lethal violence to defend their political project. Following the violent repression of pro-democracy street protests in 2018, the state did not demobilize security forces; instead, it gradually built a police state aiming to deter any expressions of dissent.

During the review period, the government imprisoned many of the country's most prominent activists and pro-democracy voices, as well as Catholic authorities and once-influential economic actors, such as leading COSEP executives, on arbitrary grounds. These individuals were perceived to be in opposition to the government. Some analysts believed that Ortega ordered some of the arrests as a strategy to use the political prisoners as bargaining chips in negotiations aimed at lifting the sanctions imposed by the United States and other members of the international community. However, it is more likely that the decision was made with the intention of weakening and demoralizing the pro-democracy movement in the long run. Additionally, the government exiled numerous Nicaraguans who were considered to be subversive, indicating that the FSLN desires to push critical voices safely beyond the country's borders. Currently, there are virtually no agents of democratization remaining within the country, apart from those currently incarcerated. As a result, reformers are unable to advocate even for superficial democratic changes at this time.

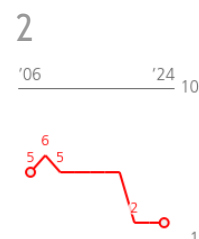
Polarization along pro- and anti-Sandinista lines worsened during the reporting period. Prior to the November 2021 elections, there were expectations that President Ortega might take steps to ease the political crisis that began in 2018 by allowing some opposition participation. On the other hand, some anticipated that the authorities would maintain strict control during the elections but then attempt to stabilize the situation by relaxing the police state once Ortega was re-elected for a new term. However, neither of these scenarios ultimately took place, despite continuous international calls on the regime to facilitate a democratic opening.

Instead, the ruling FSLN seized the initiative and launched an all-out assault on the divided opposition forces. Additionally, the government went further than ever before in persecuting, exiling and detaining members of civil society, the media and even former allies in the private sector. (Shortly after the review period ended, the Ortega family added a new tool of repression, stripping the aforementioned political prisoners of their citizenship after releasing them in February 2023, thereby ensuring that they cannot physically or legally participate in Nicaraguan politics in the foreseeable future).

Anti-democratic actors



Cleavage / conflict management



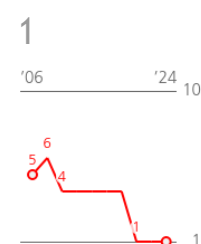
Though this repressive onslaught was not as lethal as the one that took place in 2018, it arguably had the same effect of prolonging Nicaragua’s political conflict. Events during the review period suggest that the government’s strategy for managing the conflict is to compel its adversaries into exile or submission. This in turn has created a new division in society between those who have now passively accepted the dictatorship and those who, from the safety of exile, advocate for ongoing resistance and sanctions against the regime.

Since coming into power, the Ortega administration has developed a highly antagonistic relationship with civil society. Many groups in civil society – including feminist organizations, press groups and rural farmers’ associations – were among the regime’s earliest and most vocal critics. Initially, the government excluded these groups from the political process and eventually escalated its actions by targeting their members for retaliation. During the reporting period, this stance reached its logical extreme when Nicaragua’s most prominent journalists, activists and human rights defenders were either imprisoned, forced into exile, or had their citizenship revoked in the months before and after the rigged 2021 elections. In 2022, the Nicaraguan government officially invalidated the legal status of nearly 200 non-governmental organizations, even those without any political affiliation. The message being conveyed is that only vertically integrated, FSLN-affiliated organizations such as the Citizens’ Empowerment Committees or the Sandinista Youth will be accepted in public life going forward.

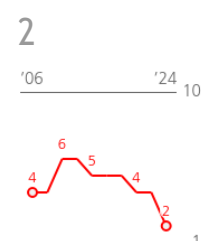
In late 2007, the Ortega government introduced Citizen Power Councils (CPC) and the Citizen Power Bureaus (GPC), which are tasked with implementing “participatory” democratic functions but are actually para-state organizations. The CPCs, which are organized hierarchically into specific interest groups for the community (such as education and health), are tightly controlled by Vice President Murillo. Their objective is to ensure loyalty and distribute funds and resources associated with focused social policies. The CPCs essentially create patron-client political connections and were involved in the criminalization of opposition groups during the 2018/2019 crisis.

After the repression of protests in 2018, the government unilaterally created a Truth Commission staffed by partisans. The new body confirmed the official narrative that, instead of repressing pro-democracy protesters that year, the Ortega government had been the victim of a violent coup attempt backed by the United States and other nefarious international actors. The Truth Commission, declared a “farce” by Human Rights Watch, had the opposite effect on any reconciliation of divisions in Nicaraguan society. The continued persecution, imprisonment and exile of regime critics during the reporting period make it imperative to address acts of injustice that have taken place during the country’s ongoing political process. In June 2019, the Nicaraguan Congress also approved an amnesty law – with a large majority – that allows for the acquittal of those participating in protests that have taken place since

Public consultation



Reconciliation



April 2018. As a result, this law permits absolution for all Sandinista participants involved in the repression. Moreover, independent efforts by civil society organizations such as the Nicaraguan Center for Human Rights (CENIDH) and Museo de la Memoria have been frustrated by the government's recent assault on NGOs.

The current climate also makes it difficult for Nicaraguan society to address atrocities committed during the 20th century Somoza dictatorship, or the 1980s war between the Sandinista revolutionary government and U.S.-backed Contra insurgency. Progress on national reconciliation would be both possible and necessary in a future transition to democracy in Nicaragua, though such a political shift seems highly unlikely in the short term.

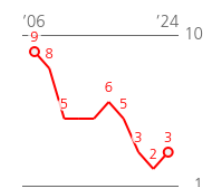
17 | International Cooperation

In the context of the political crisis that emerged in 2018, the Ortega government has had to balance two competing goals. On one hand, it has sought to defy and block what it perceives as illegitimate international intrusions into Nicaraguan affairs. Thus, during the review period, Nicaraguan officials frequently lashed out at foreign governments that, in the recent past, have provided substantial aid. The options for international financing available to the Ortega government have continued to dwindle in recent years. After the repression of popular protests in 2018, multilateral lenders such as the Inter-American Development Bank (IADB) and the International Monetary Fund reduced economic assistance to the country, as did several donors in Western Europe. Although Nicaragua's government received emergency assistance in the context of the pandemic and in the aftermath of deadly hurricanes, the holding of unfree elections in November 2021 further closed off the possibility of increased aid from the international community.

On the other hand, the government has been careful to avoid complete international isolation. In fact, the Ortega regime has increasingly relied on external funding to finance increased public spending. For example, the Central American Bank for Economic Integration became an extremely important lender during the reporting period. Despite the worsening political context and, although, the government is not transparent about how it uses its funds, the IDB and BCIE together provided more than \$400 million in loans in 2021 and more than \$200 million in 2022. Rising foreign remittances have also enabled increased public spending. This spending is necessary to partially meet the government's stated poverty reduction and infrastructure development goals. But in the short term – and perhaps more importantly – internationally financed spending is also required for the government to achieve a sense of socioeconomic “normalcy” that contrasts with the unrest that characterized life in Nicaragua during the (ultimately crushed) pro-democracy protests of 2018. In December 2021, the Nicaraguan government also broke diplomatic ties with Taiwan

Effective use of support

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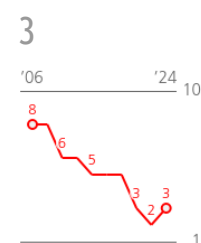
and switched its alliance to China, despite Taiwan having granted Nicaragua over \$200 million in foreign aid since 2007. Experts believe that this realignment is one way for Ortega to signal to the United States and the OAS that Nicaragua has access to alternative sources of financial support. Finally, foreign financing supports the development of industries and enterprises close to the Ortega clan, facilitating rent-seeking behavior.

International criticism of the Ortega regime has continued to grow in recent years, especially following the violent repression of protests in 2018. After the sham elections held in November 2021, condemnation from foreign countries – especially the United States, Canada and various governments in Western Europe – intensified. The member countries of the Organization of American States voted to deny recognition of the electoral results. The Nicaraguan government’s subsequent decision to initiate withdrawal from the OAS further reduced its standing in the inter-American community. The United States refused to invite President Ortega to the 2022 Summit of the Americas held in Los Angeles. Shortly after the review period ended, a UN human rights inquiry found that the Ortega government had committed “crimes against humanity” in its repression of protests in 2018 and in the maintenance of a police state thereafter. International human rights monitors, such as Amnesty International, Human Rights Watch and the Washington Office on Latin America, have consistently criticized the Ortega regime.

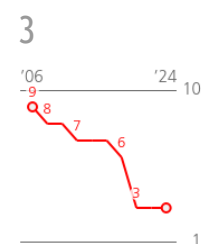
With that said, Nicaragua has maintained crucial legitimacy in the eyes of some of its Central American neighbor governments. In addition, the Nicaraguan government has strengthened relations with nonregional allies like Iran and Russia. It is worth noting that Nicaragua severed ties with Taiwan in December 2021 and established new diplomatic relations with the People’s Republic of China. Despite the loss of credibility in the West, the Ortega regime has attempted to offset this by garnering support from other actors, including those mentioned above.

During the reporting period, Nicaragua’s prospects for regional cooperation worsened considerably. In November 2021, the Organization of American States passed a resolution denying the legitimacy of that month’s presidential elections in Nicaragua. In April of the following year, Nicaraguan authorities abruptly expelled the OAS mission in Managua. The state has also announced its intention to withdraw Nicaragua from the hemispheric body altogether. Though Latin American governments have generally not participated in the economic sanctions levied against Ortega regime officials by the United States, the United Kingdom and Western Europe, they have increasingly isolated the FSLN government from regional diplomatic spaces. One exception is the immediate neighborhood of Central America, where neighboring governments organized in the Central American Integration System (SICA) have proven more willing to maintain normal relations with Ortega despite recent accusations by the Inter-American Commission on Human Rights (IACHR) that the Nicaraguan government may have committed “crimes against

Credibility



Regional cooperation



humanity” in its repression of protests in 2018. The Ortega regime’s ability to find common ground with the governments of El Salvador, Honduras and Guatemala can partly be explained by the fact that the subregion as a whole has been drifting toward authoritarianism for years.

Strategic Outlook

Since the ruling FSLN opted against holding even a cosmetic electoral process in November 2021 and instead launched a crackdown on political leaders the likes of which had not been seen in Latin America since the Cold War era, there are no prospects for political transformation in the short term. The massive scale of persecution against dissenters, combined with the inhumane conditions of their imprisonment, suggests that the Ortega regime is pursuing a long-term strategy to preempt any domestic threats to its hold on power. Events that transpired shortly after the review period ended – for instance, when authorities released, deported and stripped political prisoners of their citizenship – appear to confirm this approach and further bury the prospects for democratic transformation.

For now, the future of the Ortega regime is threatened largely by Nicaragua's growing isolation in the international arena. Previously, foreign governments and multilateral associations had been unsuccessful in pressuring Ortega to negotiate with the local opposition. However, at present, there is no significant local opposition leadership. All counterweights to the regime have been imprisoned, exiled or otherwise removed from the political sphere. The United States and other governments may contemplate imposing additional sanctions, but such actions could potentially harm the local population, leading to an increase in Nicaraguan emigration, without necessarily resulting in a political shift toward democratization.

The FSLN leadership shows no signs of abandoning the market-based economic model and seems poised to continue honing its model of authoritarian capitalism. The macroeconomic picture is more stable than most would have predicted in the immediate aftermath of the 2018 political crisis, but skyrocketing levels of emigration highlight the lack of confidence in Nicaragua's long-run prospects for development and transformation. Future economic activity is being further undermined by the growing corruption taking place as the Ortega clan fuses with state institutions. A significant reduction in poverty and inequality – Nicaragua remains among the poorest countries in the hemisphere – will remain impossible until a democratic opening is created, something that will be impossible as long as Ortega and Murillo remain in power.

While the regime has achieved stability by decapitating and/or exiling the opposition leadership, it still faces threats moving forward. Unlike other authoritarian or backsliding regimes in Latin America, Nicaragua's regime is dynastic and revolves around a personality – Daniel Ortega – rather than a political party or other type of institution. During the review period, Rosario Murillo increased in prominence; Ortega took to calling her co-president, suggesting that he is inclined toward supporting her bid for succession. However, it is unclear where the Sandinista Front base and leaders stand on this issue. It is also unclear how the military – which has strong ties to the FSLN but enjoys autonomy – would behave during a succession crisis. If Ortega resigns or becomes unable to continue governing, any of the following scenarios could unfold: a smooth dynastic transition, a violent succession struggle or a new opportunity for national dialogue.