

# **DICTATORIAL RADICALIZATION IN NICARAGUA**

From Repression to Extremism?

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Cover photo: A demonstrator holds the Nicaraguan flag in front of police officers during a protest against the government of President Daniel Ortega in Managua, Nicaragua, September 13, 2018. © 2018 Oswaldo Rivas/Reuters

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# Table of Contents

<b>I. INTRODUCTION .....</b>	<b>1</b>
<b>II. THE NICARAGUAN SITUATION AFTER NOVEMBER 2021: CLEAN SLATE .....</b>	<b>1</b>
The authoritarian path .....	1
Attack on pluralism and freedom of expression: The impact of the closure of NGOs .....	2
<b>III. IN FAVOR OF A PROPORTIONAL INTERNATIONAL RESPONSE .....</b>	<b>3</b>
The sanctions regime .....	6
International loans.....	10
<b>IV. WHAT ELSE CAN THE INTERNATIONAL COMMUNITY DO? BETWEEN PRESSURE AND EXTERNAL MEDIATION .....</b>	<b>14</b>
Strengthening the sanctions regime .....	15
Persistent lobbying and accountability .....	15
Recognize and promote the role of the Nicaraguan diaspora as a civic and peaceful actor for change .....	16
Continue multilateral pressure in international forums, particularly within the Organization of American States .....	17
Lobbying since full implementation of the Renacer Law .....	18
<b>ANNEXES</b>	
A. Methodology on the impact of sanctions .....	21
B. Methodology for the international loan analysis .....	24
C. Methodology for the NGO Cancellation Study.....	26
<b>NOTES .....</b>	<b>27</b>

## I. Introduction

This report presents a review of the Nicaraguan situation after November 2021, focusing particularly on the impact of the closing of non-governmental organizations. The report also offers an analysis of two issues of interest which are also a source of pressure from the international community—international sanctions and external financing. The analysis shows the limitations of sanctions, and the continuity of indebtedness amid repression, as well as the inconsistency of loans with economic development needs and the lack of accountability that comes with borrowing said loans.

Finally, the report presents five recommendations to the international community to weigh a proportional response to the impunity that prevails in that country. It includes continuing with sanctions in scope and precision; monitoring; address accountability to international loans; promoting international mediation; recognizing the presence of the diaspora as a civic player; and implementing the Law to Strengthen Nicaragua's Adherence to the Conditions for the Electoral Reform Law of 2021 (Ley Renacer).

The report is based on three studies conducted on the impact of sanctions, the closure of Non-Governmental Organizations (NGOs), as well as an assessment of international loans.

## II. The Nicaraguan situation after November 2021: Clean slate

### *The authoritarian path*

After the electoral fraud of November 2021<sup>1</sup> and with his third inauguration, Ortega promised to continue in power, stipulating a "clean slate."<sup>2</sup> His speech affirmed what became the radicalization of the regime's authoritarianism. This radicalization has consisted of outlining a way to *Talibanize* Nicaragua that includes to continue trials against leaders of civil society and the private sector, sentencing, eliminating civic and political pluralism, persecuting any sector that does not accept or sympathize with the regime, including religious authorities. Likewise,

the human rights situation continues to be precarious, with constant humiliation of political prisoners, prohibition of religious freedom, banning of books, the denial of entry to the country to Nicaraguan citizens, confiscation of passports of relatives of prisoners, including illegal incarceration of prisoners' relatives as a form of coax a person to turn itself.

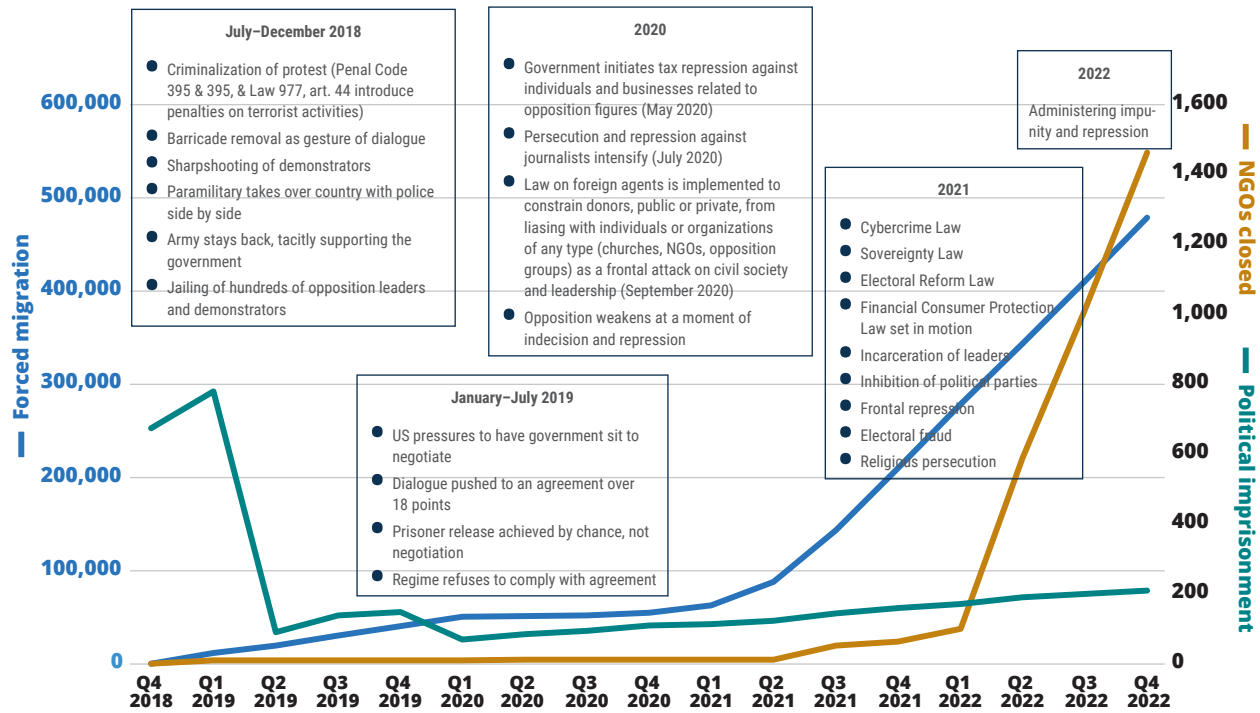
As a result, Nicaragua is a society living in fear, under siege, and with no hope of improvement in the short term. The prevailing and overwhelming impunity has surpassed any sense of decency against humanity. The regime of Daniel Ortega and Rosario Murillo continues to violate freedom and constitutional rights that have radically escalated their repression with a trajectory that goes back several years.

Here are some important turning points (figure 1):

- Between 2014 and 2016, democratic and institutional checks and balances were eliminated (through electoral fraud and the gradual elimination of opponents); constitutional reforms in 2014 approving China to build infrastructure under terms that compromise the country's sovereignty was introduced (since 2008 it was extending its presence, eliminating competition in the country's municipalities).
- In 2018, repression was used against civic protests, killing innocent people and leaders, while imprisoning others.
- In 2019, the political agreement for political reforms was rescinded and the government imposes new taxes on the country's businesses.
- In 2020, laws criminalizing freedom of expression, association, movement and political participation were passed.
- In 2021, Ortega and Murillo, using these laws premeditatedly imprisoned more than 50 prominent people and then committed an electoral farce in November 2021.
- During 2022 they have used the law to end pluralism, while expelling more than 300,000 Nicaraguans, and extending political persecution against religious authorities, parishioners, withholding passports of prisoners' relatives and other citizens.

**FIGURE 1: TRAJECTORY AND CONSEQUENCES OF RADICALIZATION**

Source: Author's elaboration, Inter-American Dialogue, October 2022.



*Attack on pluralism and freedom of expression: The impact of the closure of NGOs*

The attack on pluralism in Nicaragua has been one of the focal points of the regime’s extremism. In addition to criminalizing democracy, the Nicaraguan government has proceeded to shut down the activities of non-governmental organizations. This closing has been consistent with unpunished radicalization, including the banning of certain books, the persecution of civil and religious authorities, and the media, among others.

As of October 2022, nearly 2,000 non-profit organizations were terminated from exercising their work as a legal civil society group.<sup>3</sup> Since 2018, the regime began its attack on NGOs, starting with the closing of some organizations that were vocal in their criticism of the government. However, subsequent to the approval and put into effect of the “Foreign Agents Law” the government increased its escalation of cancellation of the legal entity from the universe of organizations. Ninety percent of the organizations closed since 2018 were eliminated in 2022 in a gradual and clustered manner (table 1). Throughout this

report, we present some findings on the closure of these organization.

As in every country, NGOs in Nicaragua have served as complementary support to the state on the country’s development—support that cannot be substituted by the

**TABLE 1: NGOS ELIMINATED BY YEAR**

Source: Study of Canceled NGOs, Inter-American Dialogue, August 2022.

YEAR	DISTRIBUTION (%)
2018	1.69
2019	0.34
2020	0.67
2021	8.43
2022	88.87
Total	100.00

government. Nicaragua's human and social development indicators were already mediocre before 2018, and due to the political crisis, they deteriorated further. The Social Progress Index, for example, shows a decline in Nicaragua's score of 8 percent, a 3 percent drop in basic needs and a 7 percent drop in opportunities to generate wealth.<sup>4</sup>

The closure occurs at critical times in the country's economy where the country's per capita income has not recovered since 2018. Rather, there is an increase in the labor force in the informal economy with no possibilities of investment in the local economy.<sup>5</sup>

The impact on social development is noticeable because the area where closings occur affects all vulnerable sectors of society (table 2). From a sample of 1,070 conducted by the Inter-American Dialogue, the study determined the magnitude of the impact at various levels (see annex C).

First, the participation of civil society organized through NGOs has been important despite being small in number. The historical record shows no more than 7,000 organizations, the majority of which were inactive. However, of the 2000 closed, 50 percent were inactive. The sample identified 593 active NGOs out of 1070. The closing concentrated on organizations with the highest activity, reputation and commitment to social development.

Second, the geographic distribution of these organizations was decentralized, with more than 50 percent operating outside the country's capital. Third, the diversity of activities in which these organizations were engaged, from

local development issues, democracy and human rights to gender work, economic opportunities, or education, contributed to the poor work done by the government. One example is education, where the government itself lacks the capacity to provide full support to young people in the education sector, whether in terms of academic performance, enrollment and dropout rates, or food security and equipment. Similarly, it is worrying that NGOs working on gender and sexual and reproductive education have been arbitrarily canceled, leaving equality and inclusion as the last priority (table 3).

A detailed analysis of a sample of 53 of the 593 active NGOs from the study shows that they had an overall budget of US\$41 million, employing more than 2,000 professionals, and working in various areas of operation. These NGOs benefited more than one million people (table 4).

Using this sample according to the profile obtained, the years of operation, and type of activity engaged, the impact of the closure of the 593 NGOs under analysis may amount to more than US\$100 million in losses of support so far. According to the country's balance of payments, Nicaragua received more than US\$120 million in 2018 (US\$170 million in 2017) in unilateral transfers, donations, before the crisis.<sup>6</sup> By 2022 the figure is under US\$25 million.

This estimate does not include the impact of the closing of international NGOs, which operated with larger budgets and their own investments, in addition to contributions to other national NGOs. Overall, it is a devastating effect for a poor country with an education budget of less than US\$650 million in 2022.<sup>7</sup>

These closures affect the institutional capacity of the country's development needs, and are also a major blow to freedom of association and pluralism.

**TABLE 2: ENTITIES CANCELED SINCE 2018**

Source: Study of Canceled NGOs, Inter-American Dialogue, August 2022.

ORGANIZATION	NUMBER
National organizations	1,821
International organizations	56
Media	54
Political parties	6
Microfinance	3
Total	1,940

### III. In favor of a proportional international response

The magnitude of this situation is problematic because social development is regressing even more, as well as the criminalization of democracy and the deepening of inequality, violence, and coercion (box 1).

**TABLE 3: GEOGRAPHICAL DISTRIBUTION AND YEARS OF EXISTENCE OF TERMINATED NGOS**

Source: IAD Study.

SECTOR	GEOGRAPHICAL DISTRIBUTION (%)		YEARS OF EXISTENCE	
	CITIES	MANAGUA	CITIES	MANAGUA
Agriculture	2	0	20	
Legal support	0	0	12	
Arts and culture	6	7	18	28
Humanitarian assistance	4	1	18	23
Associations and guilds	1	10	20	20
Science	0	1	27	12
Communication	0	1	24	28
Democracy	5	4	20	20
Human rights	4	6	18	22
Local development	5	3	17	17
Rural development	3	1	18	16
Education	14	12	19	21
Gender	6	4	18	22
Business associations	8	10	19	22
Financial inclusion	0	1	17	10
Research	0	3	25	25
Criminal justice	0	1		13
Environment	4	4	20	22
Children and adolescents	5	4	16	20
Public works	1	0	17	11
Socioeconomic opportunities	12	11	17	21
Others	1	2	16	17
Health	5	8	16	21
Food safety	0	0	14	22
Community work	9	4	18	16
Housing	0	1	16	24



**TABLE 4: ECONOMIC CHARACTERISTICS OF 53 CANCELED NGOS**

SECTOR	NUMBER	SAMPLE (%)	WORKERS	BUDGET EXECUTION (US\$)	BENEFICIARIES
Democracy	6	11	192	900,000	23,714
Gender	13	25	306	16,308,000	69,200
Rights of indigenous and Afro descendant peoples	4	8	319	3,286,122	38,750
Human rights	4	8	92	2,168,641	42,690
Local development	11	21	249	3,426,192	57,180
Education	4	8	60	4,618,000	33,500
LGBTQIA rights	1	2	18	200,000	800
Environment	3	6	135	2,250,000	80,363
Children and adolescents	3	6	357	1,309,000	181,600
Health	4	8	281	7,455,083	500,938
Total	53	100	2,009	41,921,038	1,028,735

### Box 1: Effects of criminalization of democracy and authoritarian radicalization

- A praetorian police force of 20,000 people in a country of 1.6 million homes: 1 policeman for every 100 homes.<sup>8</sup>
- More than 300 assassinations in impunity.<sup>9</sup>
- More than 200 imprisonments, 45 of them for false accusations against prominent leaders.<sup>10</sup>
- Emigration of 450,000 Nicaraguans; 400,000 between 2021 and 2022.<sup>11</sup>
- Per capita income less than \$2,000 (similar to 2017).<sup>12</sup>
- International isolation by democracies and international organizations, accompanied by a breach of international obligations.<sup>13</sup>
- State corruption supported through foreign indebtedness that oxygenates financing to the regime (international loans invested in activities outside development plans, without transparency and reliability of results).
- Systematic censorship and persecution of journalists accompanied by the closing of 56 media outlets.<sup>14</sup>
- Persecution of religious authorities, academics, and other notable individuals.<sup>15</sup>
- Economic favors to paramilitaries and local Sandinista leaders in exchange for loyalty from the grassroots.
- Electoral fraud in national and municipal elections.
- Banning of books, public meetings, even of religious nature.
- Persecution of prisoners' relatives, confiscation of their passports.
- Denial entry and return to the country to Nicaraguan citizens.
- Criminalization of the democratic rule of law through legal scaffolding.<sup>16</sup>

The international response has been significant in recognizing the illegitimate nature of the regime and the unjust imprisonment of Nicaraguan citizens. The United States has led the way in pressuring the regime in several ways, including passing two laws—the Nica Act and the Renacer Law. However, proportionality in the face of impunity is still low and remains shyly short from what the magnitude of the problem represents.

This section illustrates two cases, U.S. sanctions and international loans that have been disbursed to the regime.

In the first case, although more than fifty sanctions have been imposed on sectors close to the regime, the impact has been limited. There is a need to improve the precision, consistency, and expansion of sanctions. In the second case, even though external financing has not been in line with national development plans, Nicaragua continues to receive loans amid repression, a situation that oxygenates and enables its capacity to govern through violent methods that contravene democratic and developmental principles. A minimum measure that should be taken by countries like the United States, Canada, and the European Union, among others who are part of international financial organizations is to increase the scrutiny of financing, demand accountability, and contain the opportunism of a regime that uses these funds to sustain itself as a dictatorship.

### *The sanctions regime*

The use of international sanctions is becoming widespread as an alternative method of accountability for those who violate human rights, commit international financial crimes, and avoid being held accountable in the judicial system. International sanctions are globally accepted as a method of accountability.<sup>17</sup>

For many countries, such as the United States, sanctions also have an additional political purpose, which is to try to positively influence the behavior of a non-democratic regime to reconsider its policies of impunity and to re-engage in cooperation. It is a method to achieve the cooperation of uncooperative actors who favor the use of violence.

This section presents a study that analyzes the impact of 58 United States (US) sanctions.<sup>18</sup> Eleven sanctions were directed at institutions and 47 at individuals. The analysis is made in relation to the scope of the sanction and its impact. The European Union (EU) has sanctioned 21 individuals, among them—Bayardo Arce, advisor to

the Presidency of the Republic, Brenda Rocha and Cairo Amador of the Supreme Electoral Council, who have not been sanctioned by the United States. The EU also sanctioned 3 institutions. Canada has sanctioned 35 individuals, and unlike the US, it also sanctioned Bayardo Arce. The UK has sanctioned 14 individuals, all sanctioned by the US. Switzerland has sanctioned 14 individuals, including Bayardo Arce.<sup>19</sup>

In terms of scope, the relationship between the sanction and all the actors in the circle of power is compared. Regarding the impact of the sanction, it is measured in three dimensions—macro, meso and micro (see annex A). The main finding is that the sanctions not only have not had a limited impact among those who are sanctioned, but that their scope of operation in no way affects the country or Nicaraguans by extension.

The main recommendation is to cast a wider net and focus on institutions that facilitate the oxygenation of the regime. Sanctions have gone directly toward groups linked to the regime, and have been occurring since before the 2018 crisis, but intensified since then as a result of repression and impunity, with 18 sanctions during the Biden-Harris administration (figure 2).

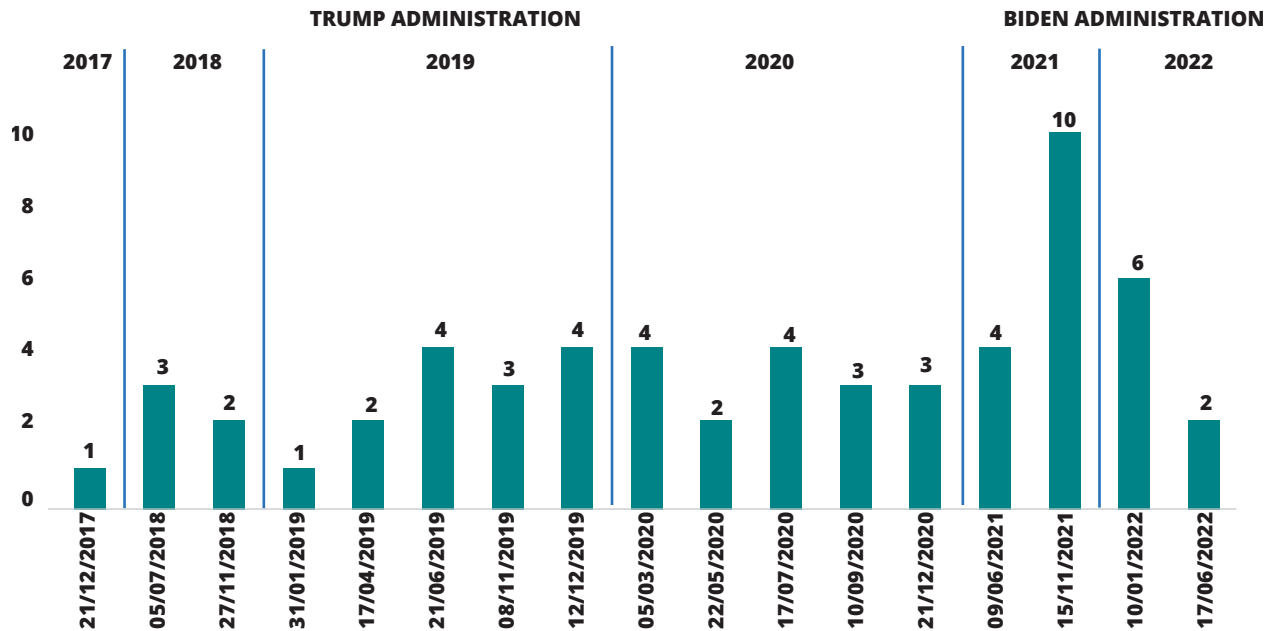
The scope of sanctions has been directed at individuals whose involvement within the regime ranges from political, repressive and socio-economic control. This involvement has included the rank and file most active in operating the repressive exercise, as well as the hierarchy of the circle of power. Figure 3 shows the sanctions to individuals according to their level of authority and scope of operation.

These individuals were sanctioned based on their human rights violation activities, ranging from individuals such as Rosario Murillo, who issued instructions on the mobilization against students and demonstrations, to the head of the National Police in charge of executing the arrests of hundreds of innocent people. The sanctions did not occur arbitrarily, but in response to actions of the regime related to executing illegitimate actions, such as electoral fraud.

The analysis on the impact of sanctions of the dimensions discussed, whether at the personal level, the ecosystem of the environment in which they operate, or at the national level and in relation to their reputation, economic position or political capital shows that in these dimensions, the effect of sanctions is limited and predominantly stronger in the reputational aspect.

**FIGURE 2: NUMBER OF US SANCTIONS PER YEAR**

Source: Author's elaboration.



Measurement based on the profile and behavior of each sanctioned individual shows that the impact does not go beyond the individual, reputational and economic environment. In some cases, those who are second or third level technical operators, whose political capital may be affected whenever their authority is portable, also show that the effect is minimal.

The authority of the sanctioned individual is transferred horizontally or vertically from one position to the management of another ministry or government agency. An important consideration also to mention is that in individual sanctions, the transfer of the individual's authority is not only horizontal, but also vertical, i.e., the sanctioned individual is sometimes rewarded within the institution (figure 4).

Cases of horizontal transfer of authority are minimal, for example, the case of the Social Security Institute (Instituto de Seguridad Social y Desarrollo Humano—ISSDHU) and the Police, who after being sanctioned passed into the hands of the Presidency of the Republic. Vertical transfers are common, from the president or director to the second or third in command (BCN, MHCP, National Assembly).

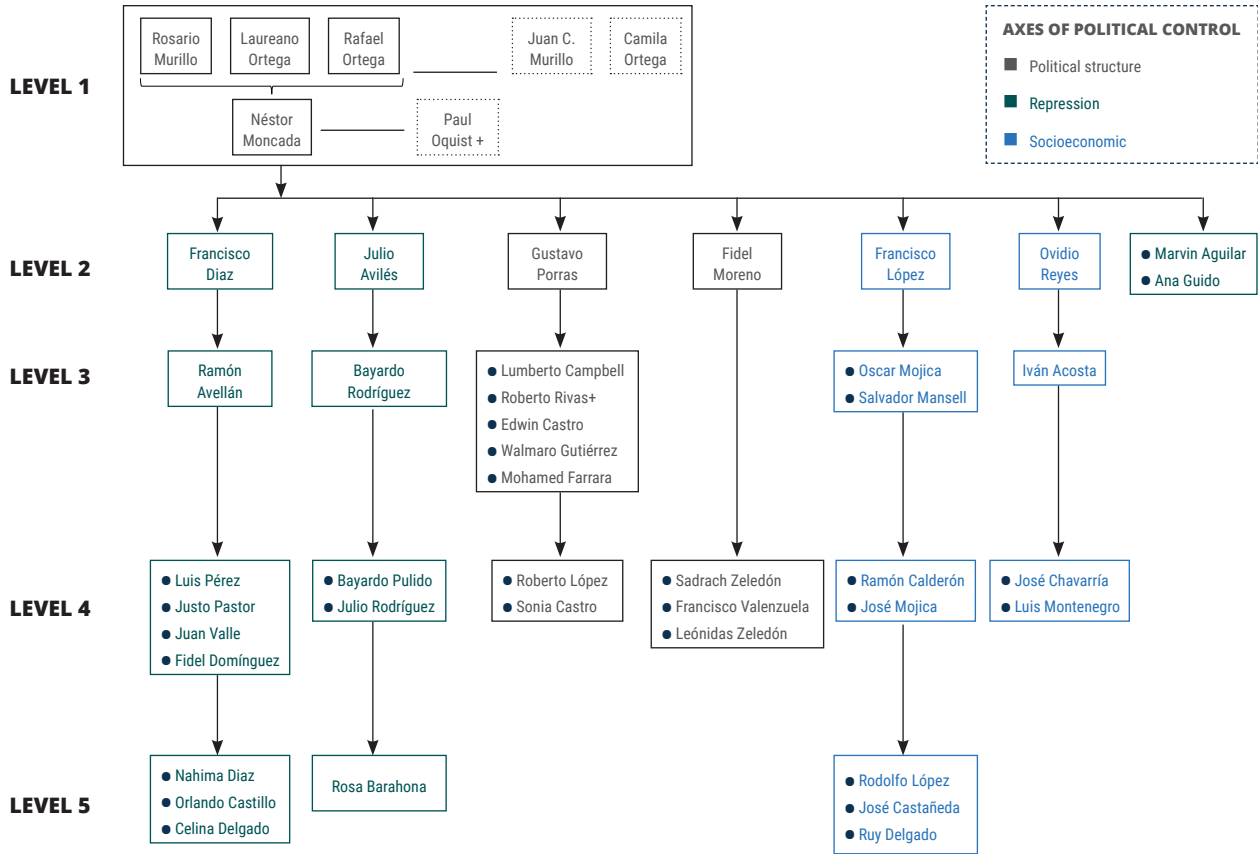
The impact of sanctions on the 11 institutions varies according to the type of entity affected. Even so,

considering the national impact weights, the impact is limited due to this horizontal mobilization of resources. For example, the National Police does not interrupt its functions and transfers its financial operations to another entity. The most affected private entities are those businesses with less capacity for portability of their operations, as is the case of Zanzibar and even companies such as DNP (figures 5, 6 and 7).

Despite the continuity of sanctions, less than half of the operators within the circle of power have been subject to them, and many of the state institutions that have been used to facilitate the economic activities of the system continue to operate. Such is the case of public entities working in public works that have facilitated access to financing to keep political clientelism active. Consequently, the effect of the sanctions neither had a direct impact on the functioning of the country nor has it affected the population by extension (figure 8).

The latest measures introduced by the United States in October of 2022 pertaining to an Executive Order authorizing government agencies to impose restrictions, such as sanctions or commercial prohibitions, is an important step to pressure the Nicaraguan government to comply with democratic reforms. The White House announced an amendment to Executive Order 13851,

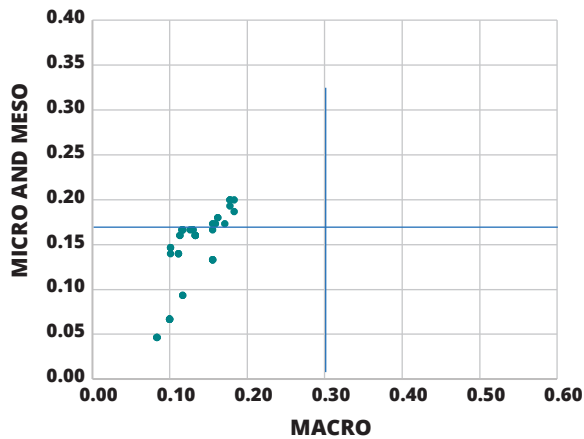
**FIGURE 3: SANCTIONS BY LEVEL OF INFLUENCE**



Source: US Department of Treasury, Office of Foreign Assets Control (<https://home.treasury.gov/policy-issues/financial-sanctions/sanctions-programs-and-country-information/nicaragua-related-sanctions>).

**FIGURE 4: IMPACT OF SANCTIONS**

Source: Author's elaboration.

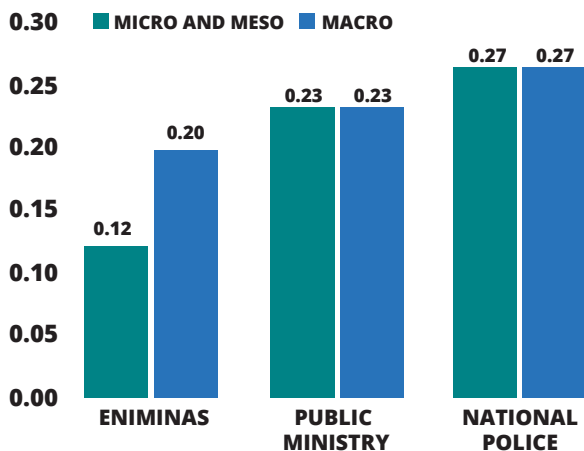


Note: The scale weights micro and meso components at 0.4, and the macro or national at 0.6, for a total of 1.

which expands sanctions authorities including trade-related measures for Nicaragua and denial of visas to 500 individuals. The US Department of the Treasury's Office of Foreign Assets (OFAC) imposed sanctions on Nicaraguan mining authorities and offices within the Ministry of Energy and Mines. These sanctions are intended to support efforts to promote accountability for the regime's accelerating actions to close all space for civil society; to increase its security cooperation with Russia; and to silence independent voices despite broad international calls for dialogue. The new measures taken by the US towards the Ortega-Murillo regime help strengthen the demand for the immediate release of all political prisoners and to urge the restoration of civic space for the people of Nicaragua.

**FIGURE 5: SANCTIONED PRIVATE INSTITUTIONS**

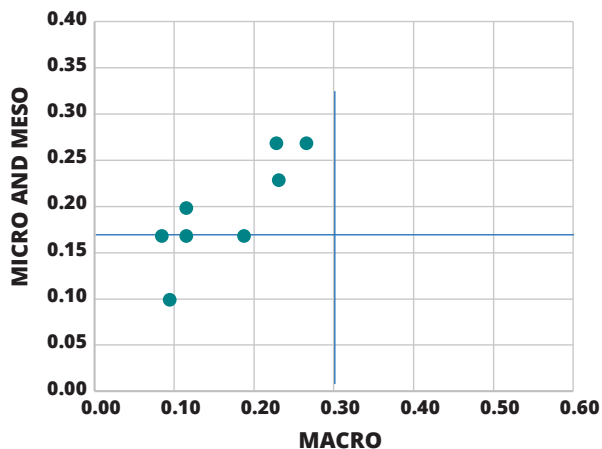
Source: Author's elaboration.



Note: The scale weights micro and meso components at 0.4, and the macro or national at 0.6, for a total of 1.

**FIGURE 7: IMPACT OF SANCTIONS ON INSTITUTIONS**

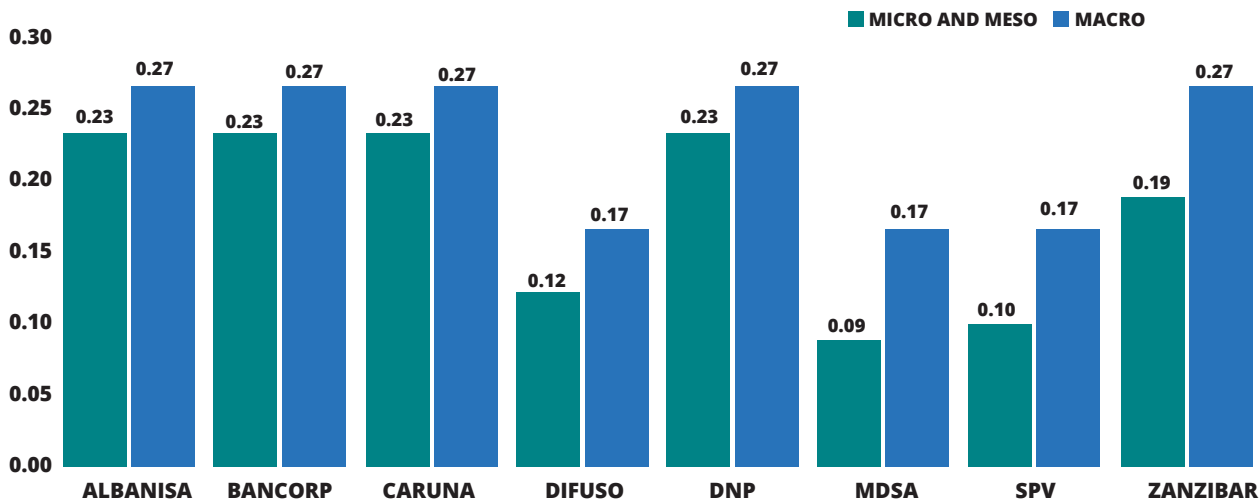
Source: Author's elaboration.



Note: The scale weights micro and meso components at 0.4, and the macro or national at 0.6, for a total of 1.

**FIGURE 6: RANGE OF SANCTIONED INSTITUTIONS [PUBLIC AND PRIVATE]**

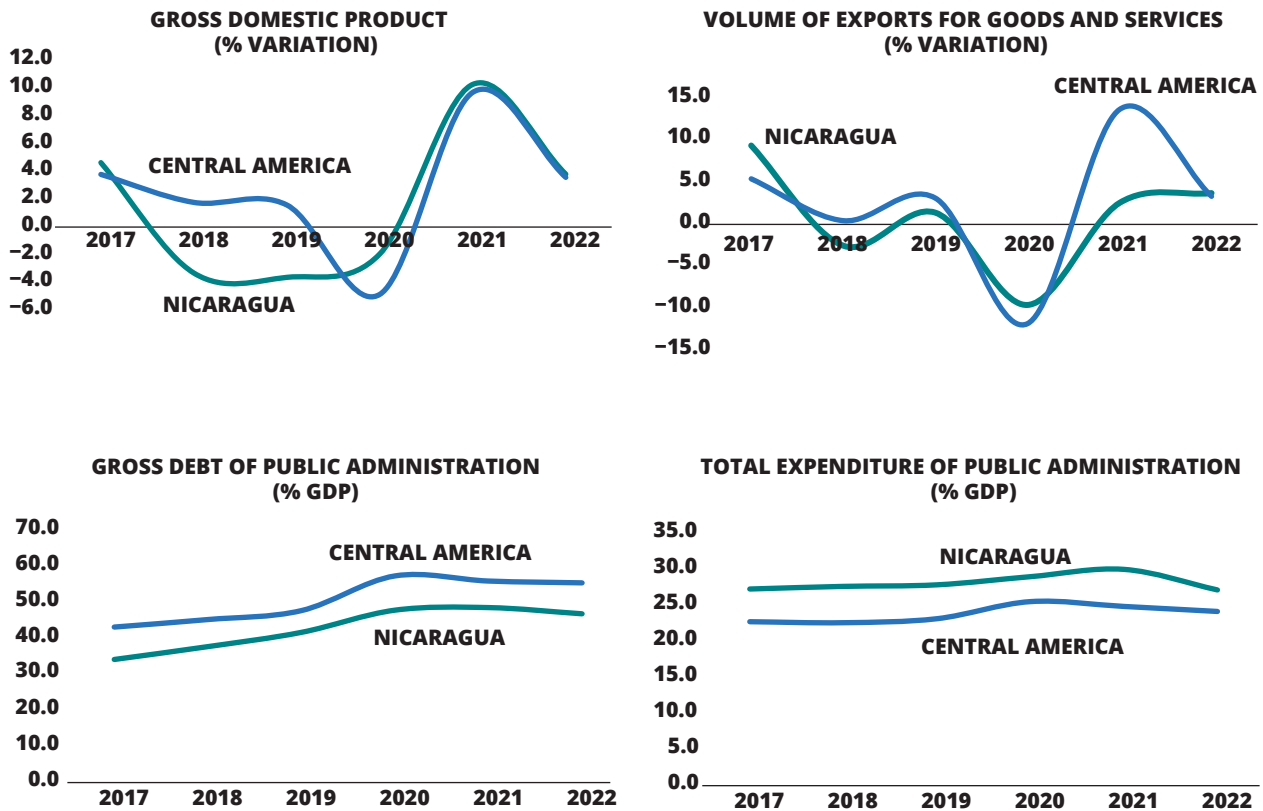
Source: Author's elaboration.



Note: The scale weights micro and meso components at 0.4, and the macro or national at 0.6, for a total of 1.

**FIGURE 8: NICARAGUA'S ECONOMIC PERFORMANCE**

Source: International Monetary Fund, World Economic Outlook Database, April 2022.



### International loans

Foreign financing is another element that has been of interest to the international community since the government has used it as a way to sustain their repressive apparatus. For the Ortega-Murillo government, obtaining foreign financing has allowed it to complement a long-term sustainability strategy, buying favors in the short term and maintaining fiscal discipline in the long term, managing to save some of the resources of these loans for more difficult years.

The government has sustained its public spending through three major sources—remittances (through the tax generated by the value-added tax); taxation of formal enterprises; and foreign debt. While donations have declined as a product of the country's repressive system, including the gradual closure of international cooperation, the regime has expanded its indebtedness, which now reaches almost 60 percent of national income (table 5).

For the United States, and other international actors, this foreign indebtedness is perceived as a political vehicle, and therefore, both the Nica Act and the Renacer Law include mechanisms to monitor and stop any non-humanitarian financing. The rationale is quite logical. Government indebtedness has not been consistent with national development plans whose primary focus is social development.<sup>20</sup>

Funding has been redirected to public works only at times of social crisis. Public investment spending related to public works doubles from 29 percent to 58 percent between 2017 and 2022. Similarly, the police and defense budgets increased from 3.7 percent and 2.7 percent of spending to 10.6 percent and 3.2 percent of the national budget during the same period respectively (table 6).<sup>21</sup>

To address this situation, the government has increased its reliance on external financing. Its public investment financed by borrowing from international financial

**TABLE 5: ANNUAL BORROWINGS AND UNILATERAL TRANSFERS (GRANTS)**

Source: Central Bank of Nicaragua; Execution of Public Investment Program.

YEAR	ANNUAL INDEBTEDNESS (US\$ MIL.)	OTHER TRANSFERS* (US\$ MIL.)	PUBLIC DEBT (%)
2016		364.0	
2017		192.3	46
2018		123.0	
2019	329.1	87.5	
2020	678.1	80.9	60
2021	849.1	56.0	60
2022 est.	605.8	25.0	

\*Donations or unilateral transfers from abroad.

institutions increases from 46 percent to 68 percent between 2017 and 2022. This financing occurs in close dependence on the Central American Bank for Economic Integration (CABEI), whose share of the total financed to Nicaragua has increased from 21 percent to 47 percent. Other multilateral entities such as the Inter-American Development Bank (IDB) and the World Bank (WB) also continue their support in areas outside the national development and health plan, amid a political crisis and an extremist radicalization of repression (table 7).

Apart from this, the legal compliance of these loans leaves many questions. An analysis of 10 loans acquired between 2018 and 2021 totaling more than US\$1.2 billion, based on a review of four indicators of their compliance with loan covenants and development, shows little adherence to them.<sup>22</sup>

These loans do not exhibit transparency in accountability, and even the financial institutions do not provide sufficient information on the execution of their own covenants. As part of this investigation, CABEI officials were consulted for information on these loans, and the response was that they would consider responding within two months (table 8).

The findings show a systemic lack of transparency in these loans, to the extent that there is no information on the use of the loan in real-time or at least in a prudential period on the part of the lending entities, especially

CABEI. In addition, the lack of access to information by the Nicaraguan regime leaves no possibility for the accountability that all public policy should have, especially international loans that must be paid in future generations.

Illustratively, the lack of access to information was exacerbated during the COVID-19 crisis, where the State of Nicaragua never acknowledged that the country was going through a health emergency and yet still requested health funds to address the pandemic. In terms of the environment and the protection of indigenous peoples, these two aspects are reflected in the loan contracts, summarized only in the scope of the project, but there are no mechanisms that link these to government actions against violations of both aspects. In the year 2021 alone, 15 murders of community environmental defenders were registered, which were duly documented and denounced, yet there is no accountability.<sup>23</sup>

Another aspect to highlight is that the tendering of contracts with the State for the execution of these projects, especially in infrastructure, is concentrated in a few companies and the bidding processes are not transparent either. In Nicaragua, given the prevalence of institutional corruption, there are no complaints against them, but some have been investigated and their executives prosecuted, as is the case of MECO in Costa Rica.

The lack of scrutiny in international loans plus the increase of family remittances resulting from push factors that

**TABLE 6: NICARAGUAN GOVERNMENT INVESTMENT BY PUBLIC ENTITY (%)**

Source: National Public Investment System.

CATEGORY	2017	2021	2022
Ministry of Transport and Infrastructure	28.76	41.41	58.00
Ministry of Health	6.52	13.46	9.00
Nicaraguan Company of Aqueducts and Sewers	12.14	10.43	19.00
National Electricity Transmission Company	8.73	7.91	4.00
Transfers to municipalities	25.04	6.06	
Ministry of Finance and Public Credit	0.92	5.00	3.00
Ministry of Education	4.14	2.53	1.00
Ministry of Energy and Mines	1.41	1.75	3.00
Mayor's Office of Managua	1.83	1.55	
Ministry of the Interior	1.21	1.48	
National Police	1.07	1.48	
Urban and Rural Housing Institute	0.32	1.15	0.40
Nicaraguan Electricity Company	1.91	0.93	0.25
National Port Company		0.92	
Nicaraguan Sports Institute	0.39	0.88	
National Technological Institute	0.51	0.75	
Emergency Social Investment Fund	0.99	0.62	
Others	4.12	1.68	1.00

generate forced migration, which generates 14 percent of the tax income through the value-added tax (consumption), and the tax extortion, further reveal the dark side of the dictatorship's economy. The tax extortion and punishment to which companies and businesses are subjected are a source of repression for them and relief for the regime. In addition to the contribution of remittances to tax revenue, income tax revenue has grown as a result of extortion, pressure, and intimidation. Small businesses still do not have sufficient access to credit, and credit supply is 20 percent less than in 2018, showing a slight if not insignificant growth of 4 percent this year with default of 12 percent when it was 4 percent in 2018. Despite that, the

“Christian, Socialist and Solidary” government continues to make use of tax extortion, official and unofficially visiting businesses, with threatening messages to micro-entrepreneurs, notifications of business cancellation, or multimillion fines that are unpayable.

The result is that business tax payments went from 40 percent in 2017 to 52 percent of the country's total taxation. This takes place in the midst of a lack of access to credit and with the bankruptcy of more than 40,000 businesses. In the end, the growth in tax revenue is a product of state policy that has generated migration and extortion of businesses and increased tax collection: state



**TABLE 7: LOANS GRANTED BY THE INTERNATIONAL COMMUNITY**

Source: Ministry of Finance and Public Credit, General Directorate of Public Investment.

DONOR	2017		2021		2022	
	US\$ MIL.	%	US\$ MIL.	%	US\$ MIL.	%
National funds	382.33	53	296.70	32	112.80	30
CABEI	155.12	21	290.56	31	176.00	47
IDB	86.09	12	199.44	21	32.20	9
Spain	18.89	3	5.27	1	0.76	0
World Bank	18.07	2	30.17	3	18.30	5
OPEC	12.75	2			3.99	1
European Union	15.79	2	13.00	1	2.79	1
Germany–KfW	3.80	1	2.24	0	0.28	0
European Investment Bank	9.98	1	32.48	3	8.95	2
The Netherlands	6.49	1				
Republic of Korea	5.34	1	11.42	1	10.30	3
Germany–GIZ	0.21	0				
Canada	2.85	0				
Nordic Development Fund	1.73	0				
Japan	3.48	0			0	0
Luxembourg	2.25	0				
Switzerland–SDC	0.01	0				
Others (Kuwait, India, Taiwan)				6	4.73	1
Total	725.20	100	936.60	100	371.00	100

revenue grew from US\$2.0 billion in 2019 to US\$2.8 billion in 2022—70 percent of that growth is financed by remittances and income tax, predominantly paid by small businesses.

A portion of that growth includes external borrowing financed mainly by CABEI. This indebtedness in global terms represents a high percentage of the country's GDP and national income, which has increased exponentially since the crisis. As shown in this section, this indebtedness is not benefiting Nicaraguans, but rather consolidating the failed system led by Daniel Ortega and Rosario Murillo.

**TABLE 8: CASE STUDY OF 10 LOANS TO NICARAGUA**

Source: National Legislative Assembly.

	CONTRACT	TITLE	PURPOSE	QUANTITY (US\$ MIL.)	YEAR
1	CABEI 2122 Loan Agreement	Integrated Sectoral Program for Water and Human Sanitation of Nicaragua	Public works	100.07	2014
2	CABEI Loan Agreement 2222	Improving the Technical and Operational Capabilities of Corinto Port	Public works	163.20	2018
3	CABEI Loan Agreement 2266	Integrated Climate Action to Reduce Deforestation and Strengthen Resilience in the BOSAWÁS and Río San Juan Biospheres	Environment	108.36	2021
4	CABEI loan agreement 2272, tranches A and B.	Strengthening the Capacity for Care in the Hospital Service Network in Prioritized Health Units	Health	96.11	2021
5	CABEI Loan 2278	Support for Implementation of the COVID-19 Vaccination and Care Deployment Plan	COVID	100.00	2021
6	CABEI loan agreement 2283	Environmental Sanitation Program on the South Shore of Lake Managua	Health	150.55	2021
7	CABEI loan agreement 2291	Road Expansion and Improvement	Public works	382.58	2022
8	IDB Loan Agreement 5088 BL/NI	Immediate Public Health Response to Contain and Control Coronavirus and Mitigate its Impact on Service Delivery	COVID	43.00	2020
9	Loan contract BM 6804-NI[10] and extension	Support for the Public Health Service Providing Pandemic Care for COVID-19	COVID	20.00	2020
10	Loan contract BM 6804-NI: extension	Support for the Public Health Service Providing Pandemic Care for COVID-19	COVID	116.00	2022

## IV. What else can the international community do? Between pressure and external mediation

Insults, verbal aggressions, declarations of persona non grata, and attacks against international authorities, are characteristic of an outlaw state, perhaps wounded, that continues to dig its grave instead of finding a negotiated

solution to the crisis. In this era of complex global and regional cooperation, Nicaragua is a non-cooperative, conflictive, and aggressive state.<sup>24</sup>

The challenge of the international community continues to be the offer a solution to the fact that Nicaraguans cannot resolve on their own: fear, repression and violence, exile and impunity do not allow them to become a proportional counterweight to Daniel Ortega and Rosario Murillo. The international response continues to be disproportionate to the level of impunity prevailing in the country. Its policies remain incomplete in the face of the different bilateral and multilateral options at hand. In a previous publication, the

Dialogue presented more than 10 options for international pressure to counterbalance the repression and impunity prevailing in this country.<sup>25</sup> It is important that these efforts bring together allies, as well as concrete actions.

This report recommends at least five immediate pressure mechanisms:

- Increase sanctions against those who facilitate repression and corruption.
- To increase the accountability of international financial institutions and that these in turn demand greater transparency from the governments receiving their loans.
- Recognize and promote the role of the Nicaraguan diaspora as a civic and peaceful actor for change.
- Continue multilateral pressure in international forums, particularly within the Organization of American States (OAS).
- Lobby for the full implementation of the Renacer Law.

### *Strengthening the sanctions regime*

The study conducted on sanctions shows that these private institutions have been the most impacted—Albanisa; Caruna; Bancorp; DNP and Zanzibar. Even more important is the following: the perception that sanctions affect the country or its citizens by default is incorrect. The impact on the country overall has been limited, as the market has absorbed the effect and the institutions with sanctioned individuals have been reintegrated by the Nicaraguan regime as their political capital is horizontally portable. When this occurs, their authority is relocated to another institutional entity, while their economic capital is protected through third parties.

The scheme of individual sanctions has had little effect on the behavior of the regime and part of the problem is the precision with which these sanctions have gone to sectors whose authority is portable: it is recommended to advance sanctions at the highest levels of the circle of power, and especially in key public institutions, such as the Ministry of Finance and Public Credit. Public institutions have become the vehicle to protect those who manage the repressive state and corruption in the country.

In particular, the way in which the state has mobilized foreign funds for public works while maintaining the repressive state has guaranteed a certain level of

impunity. For example, foreign indebtedness has been instrumentalized to increase the national police budget from 3 percent in 2017 to 11 percent in 2022, increasing the police force to 20,000 personnel, and expanding police facilities. Nicaragua's police force is as large as Honduras, with a population 30 percent smaller and with fewer criminality than the neighboring country faces.<sup>26</sup>

Therefore, it is important to extend the sanctions, to give them continuity and that more countries join forces with sanctions already applied by other countries such as the United States, Canada, among others.

### *Persistent lobbying and accountability*

International financial institutions have granted loans to Nicaragua in spite of the prevalent repression and corruption, facilitating the oxygenation of the system. The need of having democratic commitment as a condition for external financing is not present within the loans that have been approved and these institutions are risking their reputation and commitment to development by granting implicitly and explicitly, complicity to the regime. The international community must press for the regime's commitment to the economic and human development of the country, given that external financing is not targeting social priorities or reaching the affected parties who really need it.

Public entities must be accountable to international financial institutions for the use of the loans granted—if there is no transparency, no accountability and no reliability in the data provided, the rigorous compliance with contractual clauses is not only in doubt, but there is a clear violation of the contracts and due process. It is important to carry out an audit of the activities and the work implemented in municipalities where clientelism has been evidenced: less than 5 percent of the financing has gone to localities or municipalities that do not belong to the regime's party, the FSLN. The development plan formulated by the regime for 2022 justifies the need for more funding with the argument of recovering from a "failed coup d'état," in a country where most Nicaraguans and the international community agree that the April 2018 protests were based on the constitutional right to citizen protest. The international community should not lend itself to such arguments and should condition providing funding to the regime stopping the use of repressive tactics and human rights violations.

*Recognize and promote the role of the Nicaraguan diaspora as a civic and peaceful actor for change*

The Nicaraguan exodus at the end of 2022 showed that at least 400,000 Nicaraguans fled their country between 2021 and 2022. The United States has become the main recipient of these migrants. Meanwhile, Costa Rica remains the second largest recipient of refugee applicants: by 2022, it is estimated that there will be more than 80,000 applications. Among these migrants, the strong majority are politically persecuted people, exiled due to death threats, imprisonment, discredit and intimidation. Many represent a key sector within the democratic civic groups that advocate for dialogue and recurring to peaceful

solutions of controversy with the regime (table 9 and figure 9).

It is important to recognize that the presence of Nicaraguans abroad is a product of the prevailing repression. Equally relevant is to recognize the civic voices abroad whose links to other opposition groups based in Nicaragua are legitimate but cannot be made visible due to the state of fear that persists. Additionally, supporting forms of civic engagement to this diaspora and their family members who remain persecuted in Nicaragua is pivotal. By the end of 2022, there will be more than 800,000 households receiving remittances, and it is estimated that more than one million Nicaraguan households will have at least one family member abroad.

**TABLE 9: MIGRATION TO THE UNITED STATES**

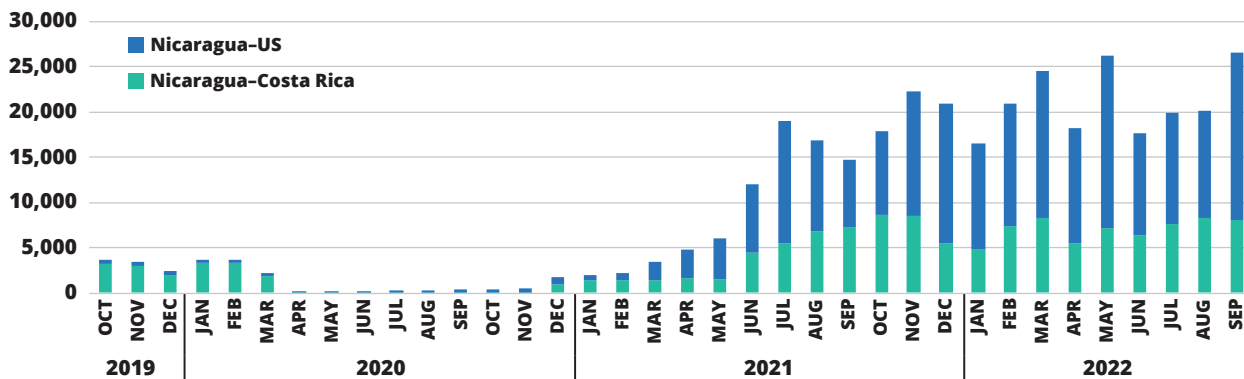
Source: Department of Homeland Security (DHS), 2022.

NICARAGUA	2018	2019	2020	2021	2022 (EST.)
Permanent legal migration	1,972	2,248	1,077	500	2,250
Projected irregular migration	1,800	8,400	960	89,051	190,019
Detentions	3,000	14,000	3,000	87,305	186,293
Visa overstayers*	389	386	228	500	405
Total migration	4,161	11,034	2,265	90,051	192,674

\* Estimated by author.

**FIGURE 9: MIGRATION FROM NICARAGUA: APPREHENSIONS IN THE US AND REFUGEE APPLICATIONS IN COSTA RICA**

Source: Department of Homeland Security (DHS), 2022, Dirección General De Migración y Extranjería Unidad de Refugio.



The majority of Nicaraguans do not want more instability and fear. The population is against the restrictions on civil liberties and human rights violations of political prisoners, who remain today as the most respected people in the country but cannot stand up to the dynasty in power. The CID-Gallup May and September 2022 polls showed that Cristiana Chamorro, Juan Sebastián Chamorro, Medardo Mairena, and Félix Maradiaga continue to have the most favorable opinions among Nicaraguans, while Ortega-Murillo continue to garner the most negative opinions.<sup>27</sup>

But, although they have suffered deprivation and repression, people do not know how far the regime has gone. The growth of family remittances, economic extortion, and unsupervised international loans reveal the dark side of this dictatorship's economy. For the population to really know the burden being imposed on them, it must be shown from the outside. Ironically, by paying their taxes to the regime, they are contributing to materialize the abuses being committed against them, and lowering the chances they have of being reunited with their families separated by that same dictatorship.

It is important that the migrant community or diaspora, because of its dispersion, communicate to their families about what is really happening in the country. In the face of censorship and misinformation, families in Nicaragua are not aware of the torture and cruel treatment of prisoners, much less the level of extortion to which they are subjected. Letting them know what is happening in the country is vital. Just as it is also important that they know how to spend, where to spend, and how to save so that they avoid any complicity with the regime. It is not a matter of reducing remittances, which is also another option, but rather, to inform and denounce abuses, as well as to highlight the advantages of saving, and expressing solidarity with micro-entrepreneurs subject to extortion.

Their relatives at the local level know who the victims of extortion are, who benefits from clientelism, and which businesses are complicit—which is why they need the support of their relatives abroad. Accountability of public servants, civilians and military, who are not willing to be accomplices of the dictatorship, is also imperative. They should also be part of a national solution and join the long-term, silent, civic resistance inspired by the battle being waged by political prisoners in the dictatorship's jails. Finding a way to give voice to this internal opposition is key.

It is also important that the international community recognizes the exiled democratic civic group and supports its efforts, minimally recognizing its national

and international presence. One of the axes of support for Nicaraguans, whether through the diaspora or exiles, is the fight against censorship and disinformation. In this sense, cooperation in favor of democracy can focus on communication and freedom of expression, supporting independent media, and the circulation of verified information, especially in digital media and social networks, to address the information blockade that the regime has established in recent years. In Nicaragua, there are 3.8 million people active on social networks, or 56.4 percent of the population, of which 3.45 million are Facebook users, 937,100 Instagram users, and 213,500 Twitter users.<sup>28</sup>

### *Continue multilateral pressure in international forums, particularly within the Organization of American States*

The OAS Member States—the Latin American and Caribbean countries, Canada, and the US—recognize very well the critical situation in which Nicaragua finds itself and the importance of a solution to stop the advance of an authoritarian regime that if continues operating in this way, could have repercussions throughout the hemisphere. Nicaragua has been the subject of international condemnations of violations of its constitution as well as of several articles of the Democratic Charter. As many countries observe the radicalization in Nicaragua, they support a peaceful solution and offer their collaboration.

The international effort for the Inter-American system must persist despite the magnitude of the repression. The Ortega-Murillo government continues to give the impression and message of bellicosity, breaking relations, and abandoning organizations such as the OAS and others, completely isolating the country. The international community can condemn the democratic regression and authoritarian drift while calling for dialogue, as the Dutch ambassador to Nicaragua recently did.<sup>29</sup>

At the OAS General Assembly in Lima, held in October 2022, Chile and Canada sought to increase efforts for a dialogue with the Ortega regime. The proposal was also supported by the United States, Antigua and Barbuda, and Costa Rica to create a High-Level Commission to offer Nicaragua a space for dialogue.<sup>30</sup>

It is also important that the Member Countries of the Central American Integration System (SICA) join efforts to resolve the crisis. At the civil society level, there is a consensus in the region to avoid the consolidation of four

Nicaraguas, therefore, regional work is of vital importance to cooperate in the restoration of democracy (figure 10).

### *Lobbying since full implementation of the Renacer Law*

It is important, urgent, and imperative to implement the Renacer Law. This law has all the components needed to manifest a proportional response to the prevailing repression. The Renacer Law contains provisions addressing rampant corruption within the regime, sanctions against human rights violators and Russian interference, as well as a review of the Central American Free Trade Agreement (CAFTA), and scrutiny of loans between international financial institutions and coordination of efforts with other diplomatic partners.

The following are some of the critical issues addressed by the law:

- **Section 3** of the Renacer Law grants authority to the Biden-Harris Administration to take action if Nicaragua's participation in the Central American Free Trade Agreement has shown breaches. The Ortega Murillo regime has failed to comply with the labor side agreement to the extent that the rights of workers in the free trade zone, most of whom export to the United States, lack labor rights protections. These violations range from restrictions on unionization, unions controlled by the Sandinista regime, and overwork beyond established hours. Workers' rights throughout the country are also unprotected. They are constantly under surveillance, lose jobs in the formal economy, and have no official resources or social safety net unless they express loyalty to the regime.

The regime has also resorted to extorting companies through tax penalties unless they do not participate in politics. The regime established a system of tax blackmail against companies to collect taxes arbitrarily without due process. In 2021, companies were forced to pay 24 percent more in taxes for the second consecutive time since the crisis. The culture of fear is equally pervasive among workers and companies.

The Government of Nicaragua, through the Consumer Protection Law, designed to protect those sanctioned, has violated Article 12.4(b) on Market Access for Financial Institutions to the extent that, at the Government's discretion, it imposes limitations and restrictions on

financial institutions on how to operate and analyze financial transactions. The limitations include preventing the closure of bank accounts of family members of sanctioned individuals.

The government has also tightened the scrutiny of remittance transfers to families by requiring them to report the names of those sending and receiving money in personal amounts above US\$500 (typically it is more than 10 percent of the 750,000 recipients), and in the case of commercial amounts above US\$5,000—this strips financial institutions of their discretion in anti-money laundering due diligence. The Financial Analysis Unit has become an intelligence gathering center to screen out any citizen suspected of being a political threat.

### **The Renacer Law gives the United States discretion to call the Nicaraguan government to account for these violations and may impose sanctions or other limitations.**

- Under **Section 4** of the Renacer Law, which stipulates that the U.S. Treasury Department must increase scrutiny of any loan or financial or technical assistance provided for a project in Nicaragua, the Administration must enforce it and halt disbursement of existing loans with the Inter-American Development Bank (IDB), the World Bank, or the International Monetary Fund (IMF), and recommend that Central American countries do the same with the Central American Bank for Economic Integration (CABEI). The Government of Nicaragua has failed to comply with all clauses regarding disclosing best practices on social inclusion, gender, environment, corruption, and anti-money laundering practices, which are part of all loan contracts signed by the regime.

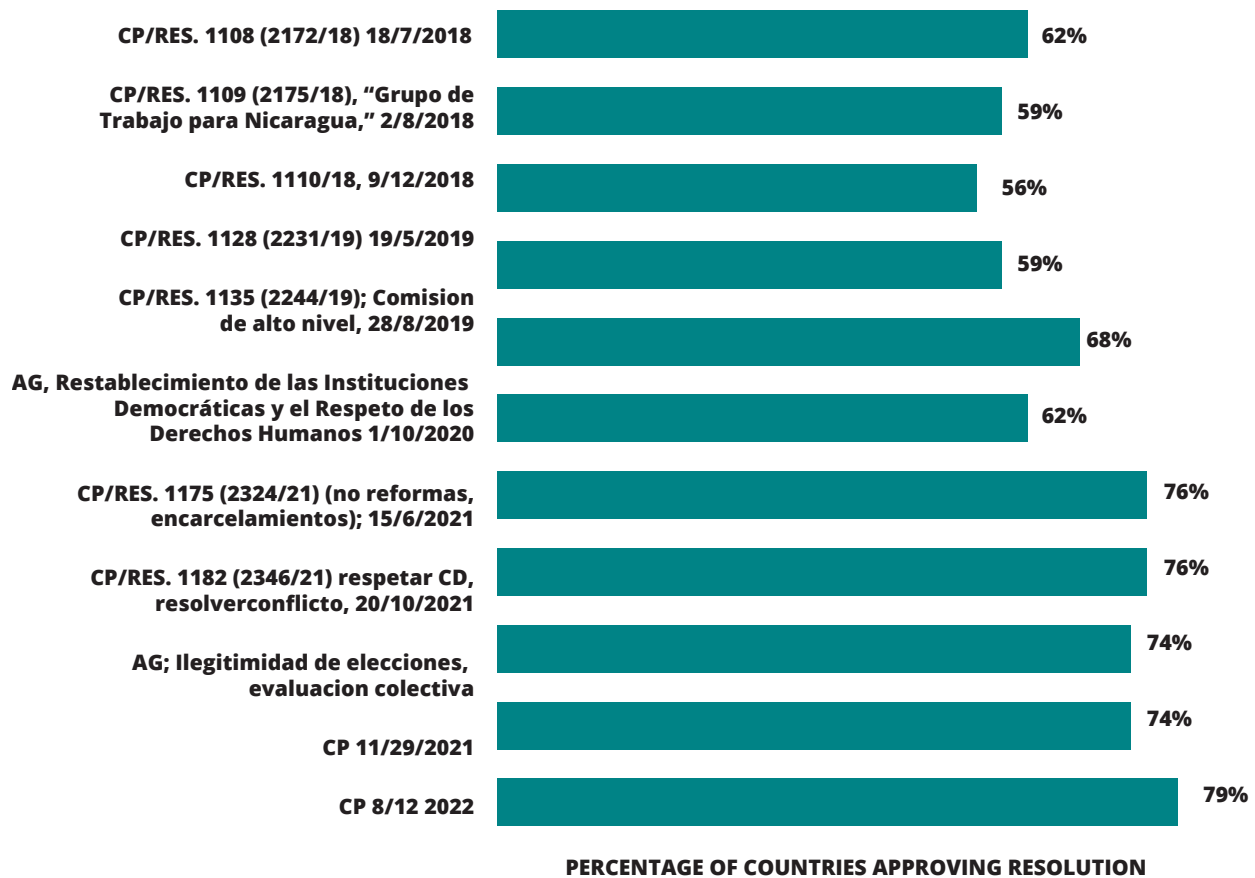
### **It is important that the US promote accountability for each of the existing loans for which disbursements are made and whose clauses are being breached by the Government of Nicaragua.**

- **Section 5** of the law authorizes sanctions targeting government officials, the Ortega-Murillo family, members of the Police and the Army, electoral magistrates, members of the Sandinista party, companies involved in corruption with the Government or in obstructing free and fair elections.

The majority of Sandinista deputies, the judges of the Supreme Court of Justice, other electoral authorities, and members of the Police and the Army were complicit

**FIGURE 10: OAS RESOLUTIONS IN FAVOR OF A SOLUTION TO THE NICARAGUAN CRISIS**

Source: Author's elaboration.



in allowing fraudulent elections while obstructing constitutional rights—all of which have opened the door to the criminalization of democracy through the Foreign Agents Regulation Law, the Special Law on Cyber Crimes, the Self-Determination Law, and the Consumer Protection Law. All are causes to extend sanctions to those involved in these institutions.

**The United States needs to effectively enforce its sanctions regime to compensate for the lack of accountability and arbitrary impunity that still prevails.**

- **Section 6** on coordinated sanctions with other countries is still limited, as efforts have failed to be coordinated in more than two instances.
- **Sections 8 and 9** of the act stipulate the release of classified reports on the involvement in corruption of

the Ortega family and government officials, as well as Russian activities in Nicaragua. These reports have not yet been released.

The extent of corruption of government officials and the Ortega family has been extensively documented through investigative journalism, including several reports published by the *Confidencial* magazine on the methods used by the circle of power to hide their financial operations, and the economic favors they consistently hand out with government resources.

Moreover, Russian activity in Nicaragua has been known for Nicaragua's acquisition of military equipment, in addition to a military alliance with that country. The political and military alliance between Cuba, Nicaragua, Venezuela, and Russia has destabilized the military balance in the Caribbean Basin. Government officials

have also expressed concern about Russian intelligence gatherings that have taken place in Nicaragua. The Nicaraguan representation at the UN was the only one in the Americas to vote against resolutions condemning Russia and its “illegal referendums” held in the country’s attempts to annex those territories. **These reports are an important input for political action.**<sup>31</sup>

- **Section 11** of the law states that the United States “should leverage bilateral and regional relationships to reduce the grave human rights violations perpetrated by the Ortega government and to better support victims of human rights violations in Nicaragua.” Undersecretary Brian Nichols has emphasized that the release of political prisoners in Nicaragua is a U.S. priority, yet little has been accomplished.

Under false political trials, more than 30 Nicaraguans with respectable and honest backgrounds have been sentenced to between 8 and 13 years in prison so far. Their health conditions have deteriorated drastically, as they suffer unusual and cruel forms of punishment, such as being denied family visits, not having access to doctors or medical treatment, or being kept in a state of total isolation. It is legally, morally, and politically indefensible to remain passive in the face of the human rights situation of these prisoners. Human rights violations continue to prevail through a culture of fear and intimidation among all Nicaraguans.

**Suspending Nicaragua from the OAS, mobilizing international pressure, especially, that of Central American governments to prevent the regime from committing further human rights violations in Nicaragua must happen immediately.**

- **Section 12** calls for reporting and taking action to improve the state of independent media in Nicaragua. Such a report has not yet been submitted/ does not exist. However, the level of censorship, disinformation, and intimidation against journalists

continues to occur. Nicaraguans do not have fair access to information about what is happening in the country, they are misinformed about what the government does and does not do, journalists are threatened and imprisoned when doing their work, and many have gone into exile. There is a widespread demoralization and loss of Nicaraguans about their destiny—particularly the younger generations, who are the future of the country. As a result, hundreds of thousands fled in 2021 and more than 50,000 have left by the first quarter of 2022.

**It is important to ensure that independent journalism can fight censorship and misinformation and that Nicaraguans are clear and not misled by their own government, about the extent of impunity in the country.**

By all standards, the extent of impunity is easily illustrated by how Nicaragua is violating everything in the Renacer Law. US leadership in continuing to pressure for the release of prisoners and the return of democracy in Nicaragua is of the utmost urgency.

The regime continues to function with impunity, despite massive migration, a perverse way to increase its fiscal income through family remittances (which in 2022 will be US\$2.8 billion, or 17 percent of the country’s income), regardless of the increasing discontent and demoralization of Nicaraguans, the growing dissidence of members within the circle of power, and the economic deterioration of the country. The U.S. Government and the international community should not wait for another political prisoner to die, become ill, or for further transgressions of the constitutional rights of Nicaraguans (and Nicaraguan Americans) to act.



## Annex A. Methodology on the impact of sanctions

To analyze the effect of sanctions, the author developed an index to measure said impact at three different levels: (1) micro, (2) meso and (3) macro; and in three dimensions: (I) economic, (II) political and (III) social-reputational, each having a particular scope.

In the economic dimension, impact at the micro level occurs when it affects the financial assets of the sanctioned party by removing them from the formal environment; impact at the meso level happens when there is a contagion effect on immediate economic entities; and the impact is macro when the operations of the sanctioned party and its ecosystem encompass a broad value chain.

In the political dimension, impact at micro level believed to occur when it affects the authority of the sanctioned party; impact at the meso level when the authority of the sanctioned party is not transferable to third parties; and macro impact when the non-transferability distorts, disconnects or paralyzes the public function.

As for the socio-reputational dimension, the impact is micro when there is moral damage to the affected person; meso when the entities of the ecosystem are seen as contaminated as well; and macro when the integrity of the public environment also suffers the effects (contagion is extensive).

For the quantitative analysis of the information gathered, a score of 3 points was established for each area and dimension, for a cumulative total of 27 points. This score was weighted with 40 percent for the micro and meso areas as a whole and 60 percent for the macro or national level. This was produced in a 2x2 matrix.

**TABLE A.1: MATRIX OF SANCTION MEASURES**

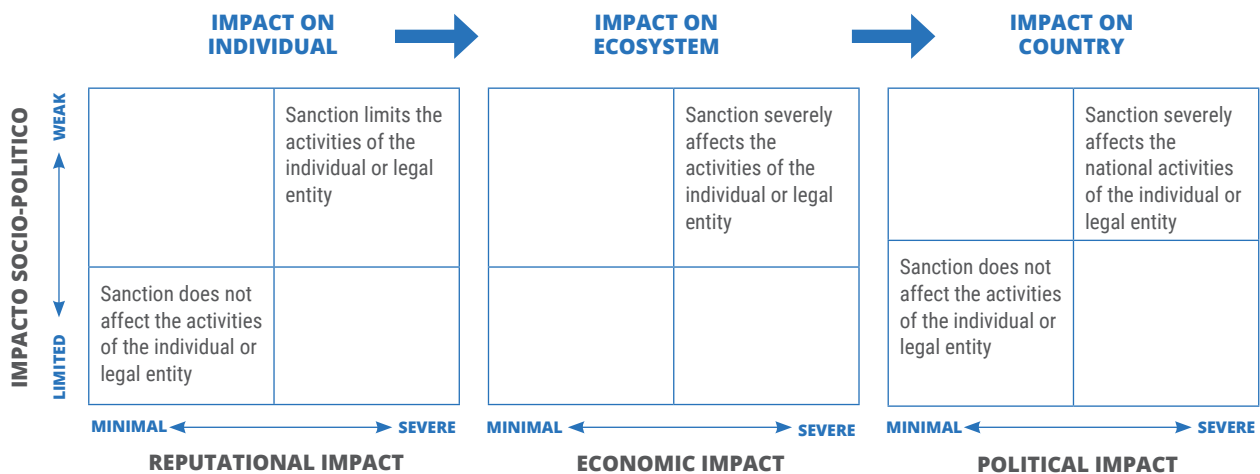
	1. MICRO	2. MESO	3. MACRO
I. ECONOMIC	<ul style="list-style-type: none"> <li>Individual assets less than US\$250,000</li> <li>Assets ranging from US\$250,000 to US\$500,000</li> <li>Assets are greater than US\$500,000*</li> </ul>	<ul style="list-style-type: none"> <li>Business investments under US\$500,000</li> <li>Investments from US\$500,000 to US\$1 million</li> <li>Investments of more than US\$1 million</li> </ul>	<ul style="list-style-type: none"> <li>Links with minimum national businesses</li> <li>Market share of less than 3% of national consumption</li> <li>Market share of more than 3% of national consumption</li> </ul>
II. POLITICAL	<ul style="list-style-type: none"> <li>Authority of the individual is portable, effect is minimal</li> <li>Portability of authority is limited; the effect of the sanction is felt</li> <li>No transferability, high cost to the individual</li> </ul>	<ul style="list-style-type: none"> <li>Entities dependent on the authority suffer short interruption</li> <li>Interruption is temporary and organizational</li> <li>Interruption affects more than one entity (public/private)**</li> </ul>	<ul style="list-style-type: none"> <li>Public policy is temporarily headed off</li> <li>Public policy undergoes strong institutional reorganization</li> <li>Public policy is subordinated to another entity</li> </ul>
III. SOCIAL	<ul style="list-style-type: none"> <li>Media moralize the figure of the individual</li> <li>Social circle dissociates from the individual</li> <li>Family and social structure are distanced</li> </ul>	<ul style="list-style-type: none"> <li>Entity ecosystem affected by the sanction</li> <li>Reputation of business and social ties is tainted by relationships with individual</li> <li>Shame and reputation are extensive</li> </ul>	<ul style="list-style-type: none"> <li>Society feels the effect of the indirectly sanctioned</li> <li>Society criticizes system for sanctions</li> <li>Society calls for continued sanctions</li> </ul>

Note: There are 140,000 formal businesses in Nicaragua, 90% of which are microenterprises. 1,500 businesses generate revenues equivalent to 35% of GDP, averaging US\$3 million per year in sales. Few businesses can generate investments of more than US\$1 million.

\* Preliminarily, the individual asset criterion is maintained at a maximum of US\$500,000 even for companies. Small companies with less than 10 employees in Nicaragua typically do not generate sales of more than US\$500,000.

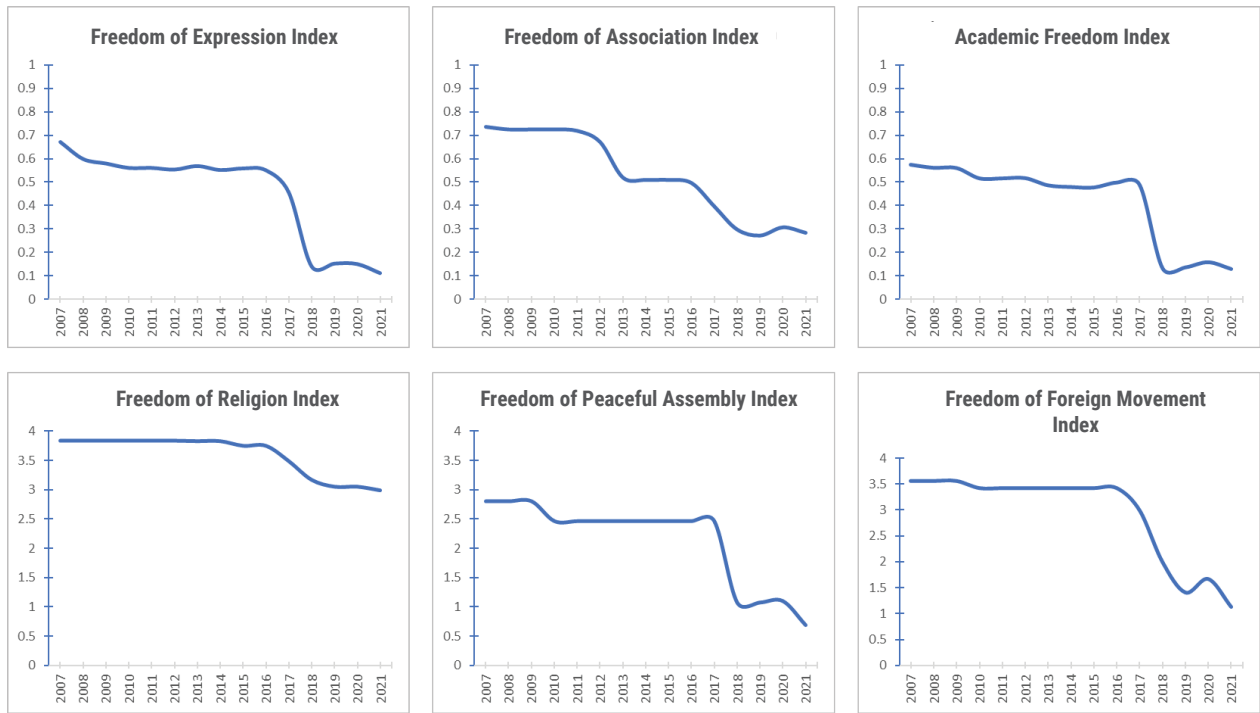
\*\* Annual investments by small and medium-sized companies in Nicaragua are generally less than US\$1 million or the equivalent of five commercial loans in the banking system to a medium-sized company.

**FIGURE A.1: IMPACT LEVELS**



**FIGURE A.2: INDEXES OF INDICATORS ON FREEDOMS**

Source: University of Gothenburg, Varieties of Democracy (V-Dem) Project.



Note: In the indexes, the closer to "1" the greater the freedom and the closer to "0" the lesser the freedom. In the others, the scale is from 4 to 0.

## Annex B. Methodology for the international loan analysis

The study on international loans was based on an analysis of the financial commitments acquired by Nicaragua during 2017-2022 (until June) reviewing the annual public

investment program. It also conducted a detailed analysis of 10 loans acquired. The analysis considered four indicators.

**TABLE B.1: INDICATOR AND METRIC CRITERIA**

INDICATOR	CRITERION
Matching the loan with the national development plan	No correspondence; limited correspondence; strong correspondence
Transparency in reporting	No access to information; access to incomplete information; information is accessible
Reliability of data on progress or results achieved	Not at all reliable; somewhat reliable; fairly reliable
Potential for clientelism	High; medium; low

**TABLE B.1: NICARAGUA'S MACROECONOMIC INDICATORS**

Source: Central Bank of Nicaragua; Ministry of Finance and Public Credit.

INDICATOR	2016	2017	2018	2019	2020	2021	2022 (EST.)	2023 (PR.)
<b>EXTERNAL PUBLIC DEBT: SERVICE PAID PER CREDITOR</b>								
GDP	13,286.08	13,785.91	13,025.24	12,596.64	12,586.94	14,013.02	14,293.28	14,579.15
Foreign debt	11,035.46	11,521.27	11,678.84	11,680.51	12,050.45	13,050.45	13,311.46	13,843.92
Per capita income	2,108.00			1,924.00	1,900.00	2,091.00	2,115.00	2,136.00
<b>DEBT SERVICE (AMORTIZATION)</b>								
Multilaterales	166.8	197.4	212.2	285.9	307.8	325.6	299.1	318.53
CABEI	51.9	68.8	82.1	152.3	174.0	186.0	200.0	213.00
IDB	64.1	74.7	79.9	85.0	86.8	88.9	48.2	51.30
World Bank	11.0	12.6	15.2	17.2	19.6	24.9	25.0	26.63
Total	188.6	224.4	248.5	329.1	352.9	375.1	403.8	430.01
<b>ANNUAL DEBT BALANCE (ANNUAL NET INDEBTEDNESS)</b>								
CABEI				118.2	198.2	271.6	213.4	
IDB				89.5	105.7	147.4	-15.4	
World Bank				66.5	81.4	100.4	0.7	
IMF				-14.4	187.8	336.2	-39.1	
Annual growth (balance)				329.1	678.1	849.1	104.4	
Government debt/GDP ratio (%)	46	48	51	54	58	60	60	59
Country debt to GDP ratio (%)	83	84	90	93	96	93	93	95
Government spending	1,900			2,035.2	2,079.6	2,418.2	2,781.0	3,059.06
State income	2,000			2,331.5	2,342.2	2,888.9	3,177.8	3,336.66
Indebtedness/state income (%)	9			9	22	18	7	13
VAT remittance concept (%)	9			10	12	11	13	14
Government bonds (%)								5

## Annex C. Methodology for the NGO Cancellation Study

The Inter-American Dialogue study conducted between July and August 2022 built a database of 1070 non-governmental organizations containing information on their date of creation, type of activity for which they were created, and status of the organization—whether it was active or deactivated (out of operation). The study also

proceeded to construct a database of 53 organizations with more detailed information, including the number of employees working for the NGO, the most recent annual budget, the number of beneficiaries they worked with, years of operation, and location of the headquarters

## Notes

- The November 2021 presidential elections were considered by national and international observers as fraudulent and illegitimate. According to OAS member states, the elections “were not free, fair or transparent and lack democratic legitimacy.”
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