



# **DIMMED ECONOMIC GROWTH PROSPECTS IN NICARAGUA**

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**2023**

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Inter-American Dialogue  
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# INTRODUCTION

The Nicaraguan economy will face a difficult year in 2023 largely due to continued political and economic mismanagement and a challenging international economy with expected inflation to continue. Projected growth is less than 2% for 2023.

First, the value of imports and import dependence will continue pointing to at least a 17% import growth relative to 2022 (in 2022 the value of imports increase 22%). While exports may experience important growth similar to 2022, their performance will not offset the effects of inflation. Second, family remittances are likely to continue, they will do at a slower pace than in 2022, to no more than 10% because migration will not have the similar impetus that it showed the previous two years.

Third, domestic consumption as well as investment are still experiencing sluggish performance which even with small growth under 5%, but supported by remittances will not be enough to improve output.

Finally, government expenditure and investment will remain low. Even though the government may borrow from abroad, its debt to expenditure ratio will be lower than previous years because its overall indebtedness has increased. Continued international scrutiny added to increasing debt service, make it difficult for financial institutions to provide lending above 2022 levels. Its capacity to raise more taxes is limited and declining remittance consumption will also reduce private consumption.

In order for economic prosperity to arrive to Nicaragua, inclusive economic reforms are needed. They mean better judicial security for businesses, audit of international loans, stronger scrutiny of corruption and kleptocracy, as well as change in the investment and economic climate by making political reforms conducive to good governance.

# PROJECTED GROWTH FOR 2023

Looking at forthcoming trends in the global economy and migration dynamics, economic growth does not offer a positive scenario for Nicaragua as its international factors will not provide enough resources to increase output. The table below shows projections for 2023 based on different trends and scenarios, particularly a 10% remittance growth, an increase in public and private investment as well as changes in other external indicators such as external borrowing and tourism.

The main driver of growth for Nicaragua in 2022 was remittances, it had an effect on domestic consumption and overall macroeconomic stability. With a lowering of remittance flows, and no significant increase in trade or borrowing the economy will not stand growth above 2%.

**TABLE 1: MACROECONOMIC INDICATORS**

Source: Central Bank of Nicaragua.

YEAR	2021		2022		2023	
	US\$, 000,000	(%)	US\$, 000,000	(%)	US\$, 000,000	(%)
<b>GDP</b>	14,001.00	10%	14,618.69	4.4%	14,888.81	1.8%
<b>CONSUMPTION</b>	10,463	19%	11,781	12.6%	12,075.25	2%
<b>CONSUMPTION (EXCLUDING REMITTANCES)</b>	8,243.57	6%	8,833.26	7.2%	8,833.03	0.0%
<b>GOV. EXP.</b>	1,993.21	-4%	1,941.32	-2.6%	1,980.15	2.0%
<b>PUBLIC INVEST</b>	1,138.87	4%	1,164.70	2.3%	1,222.93	5.0%
<b>PRIVATE INV.</b>	1,922.78	14%	2,042.02	6.2%	2,144.12	5.0%
<b>GOVERNMENT TAXES</b>	2,114	-	3,081	45.7%	3,061	-0.7%
<b>REMITTANCE RELATED TAXES THROUGH IVA</b>	350	-	465	32.8%	512	10.0%
<b>EXTERNAL BORROWING</b>	1,162.24	28%	533.81	-117.1%	480.00	-11.2%
<b>TOURISM</b>	185.00	18%	300.00	62.2%	350.00	16.7%
<b>EXPORTS</b>	6,562	-	7,868	19.9%	9,362.92	19.0%
<b>IMPORTS</b>	8,317	-	10,168	22.2%	11,896.56	17.0%
<b>REMITTANCES</b>	2,147	16%	3,225	50%	3,547	10.0%
<b>EXPORT-IMPORT</b>	(1,755.84)	-	(2,300.00)	31.0%	(2,533.64)	10.2%

## THE INTERNATIONAL CONTEXT: TRADE, REMITTANCES, BORROWING AND TOURISM

Nicaragua has historically been an externally dependent economy, similar to other Central American and Caribbean countries.<sup>1</sup> However that dependence has increased because of migration and out of the ordinary external borrowing, predominantly from the Central American Bank of Economic Integration. 81% of the country's GDP is originating from exports, remittances, debt and tourism to a lesser extent. The country has turned more vulnerable to

external factors in order to grow because there is still lack of confidence in the local economy for private investment.

Moreover, given external dependence and that many of these factors are not going to demonstrate a similar pattern as in 2022, growth will be lower than 2022.

**TABLE 2: SOURCES OF FOREIGN SAVINGS (US\$,000,000)**

Source: Central Bank of Nicaragua.

	2022	(%)
EXPORTS	7,868	54%
REMITTANCES	3,547	23%
TOURISM	300	2%
EXTERNAL BORROWING	534	4%
GDP	14,619	

# FAMILY REMITTANCES

Because of the dramatic outflow of people leaving Nicaragua, especially since 2018 and particularly from 2021 to December 2022, remittances experienced a dramatic 30% increase relative to 2021. However, survey data as well as US and Costa Rica migration related policy measures would indicate a slowing trend in migration.

Survey data points to a lower percentage of people with an intention to migrate compared to previous periods (24%), or 400,000 people. Moreover, between 2019 and 2022 an average of 25% of those with an intention to migrate actually left the country. Using 30% and 50% as range, between 122,000 and 200,000 would leave Nicaragua, half

of which more or less send money within the same year of arriving—that’s 6%-9% of all senders as new remitters.

The amount of people is one half of those who left in 2022 and more than those from 2021. The lower figure reflects the fact that many people, or 600,000, had already left, so many in fact that the labor force has also declined. The Nicaraguan labor force is now 40% of its population, and it means that any more migration would depend on traveling among those without obligations to children and seniors—which are now 60% of the population. Therefore, a 10% increase in remittances would result from new migrants and a small increase in the principal sent.

**TABLE 3: MIGRATION PATTERNS IN NICARAGUA**

Source: Orozco, Manuel. Author estimates based on DHS, Refugee reports from Costa Rica’s government ministry. The number accounts for legal resident admissions, visa overstayers, successful ‘unauthorized border entry’ and those released in US territory from migrant encounters at the Southwest border. On this latter two, the report used DHS metrics are for Irregular Entry Success Rate (18%), and Title 8 Non-impactable Single Aliens, and Adults in Family Units.

YEAR	COSTA RICA	UNITED STATES	OTHER COUNTRIES	WORLD	NICARAGUAN POPULATION	SHARE OF POP.
2019	39,423	1,202	6,094	46,719	6,663,000	0.7%
2020	9,416	3,430	1,927	14,773	6,755,855	0.2%
2021	52,929	87,305	21,035	161,269	6,720,543	2.4%
2022	86,465	216,956	45,513	348,934	6,819,132	5.1%
2019 TO 2022	207,056	308,893	74,569	590,518	6,819,132	8.7%

**TABLE 4: LABOR FORCE INDICATORS**

Source: World Bank Development indicators; Table 3 above.

YEAR	LABOR FORCE	LABOR FORCE EXCLUDING PEOPLE WHO MIGRATED	OTHER COUNTRIES
2017	2,905,597	2,877,597	28,000
2018	2,952,156	2,872,156	80,000
2019	2,998,413	2,898,413	100,000
2020	2,968,394	2,943,394	25,000
2021	3,042,491	2,881,222	161,269
2022	3,072,916	2,722,916	350,000
2023	3,103,645	2,903,645	200,000

These numbers account for the recent Parole measures. The ability of Nicaraguans in the US to petition a relative depends on a number of factors, including legal status, income capability, and having a relative with the intention to migrate. An April 2022 survey of Nicaraguans in the US showed that

16% represented that number, which translated to a baseline of 35,000 people. That figure will be lower when controlled with income capability, interest, and willingness to bring the relative and the duration of the program.

# FOREIGN TRADE

The export sector which captures 54% of the country's GDP is constrained by a global economy whose demand is tied to growing international prices. According to the World Trade Organization, merchandise trade will only grow 1% in 2023.<sup>2</sup>

Nicaragua's exports increased 19% against 22% increase in imports, widening the country's trade deficit.

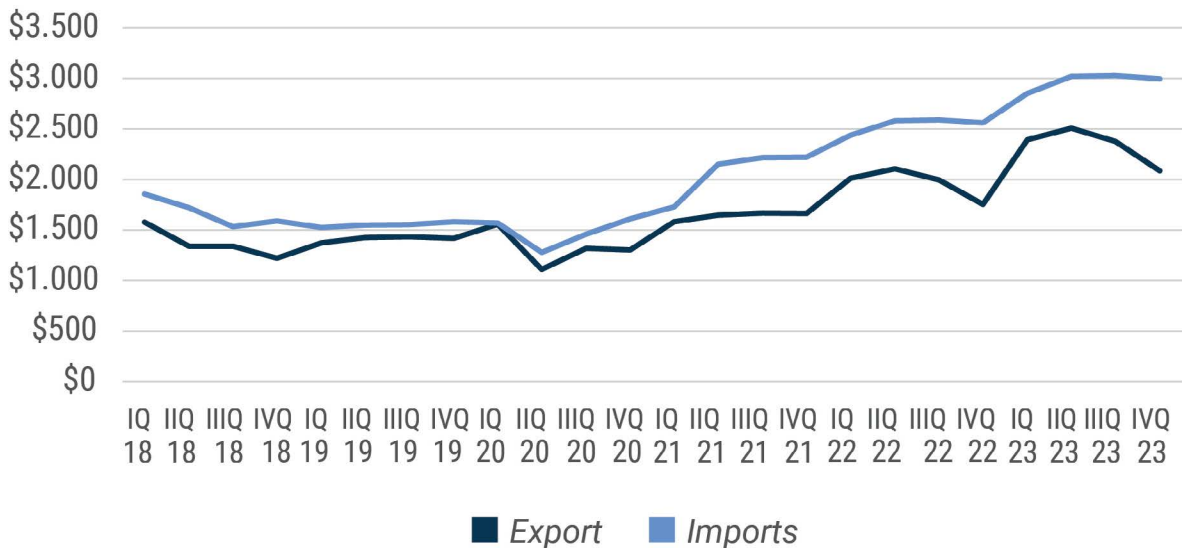
Given continued rising energy as well as commodity prices, the effect of increases in imports will be higher than exports because more than 60% of Nicaragua's imports

are commodity and energy products, whereas the country's exports are largely textile and few agricultural commodities. The sanctions over the mining sector have also had an effect on increases in exports of gold, despite increases in prices expected in 2023.

Holding the same 2022 growth indicators, and even lowering imports' growth, the contribution of trade to overall economic growth will be limited given external constraints. Were Nicaraguan trade to rise 10% (instead of 18%), overall GDP growth will lower at 1%.

**FIGURE 1: NICARAGUA'S TRADE, US\$,000,000**

Source: Central Bank of Nicaragua, [foreign trade statistics](#).





# EXTERNAL BORROWING

One of the ways the Ortega and Murillo regime has tried to support their clientelist policies that support the repressive apparatus, and its inner circle is by borrowing from international financial institutions allegedly to invest the funds in public works. Elsewhere we have shown that there is no evidence at hand on the correspondence between local development plans and borrowing, and little transparency.<sup>3</sup>

More importantly is that Nicaragua's external borrowing is increasing, and the ability to receive further funding becomes more difficult, even when political bias exists from the Central American Bank of Economic Integration, which is the entity funding more than three quarters of external financing.

International financial institutions are looking at two main factors, one, the increasing debt to income responsibilities, and two, international scrutiny over the logic of lending to

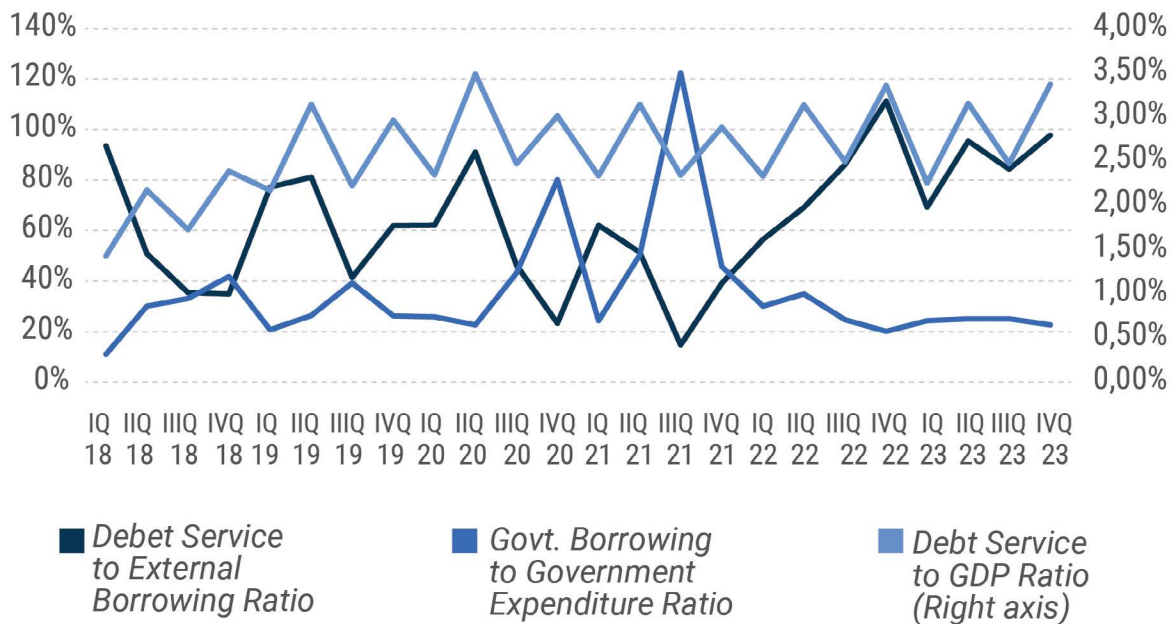
a state that fits the International Monetary Fund's definition of 'captured state'. It remains unlikely for Nicaragua to obtain financing above 2022 levels.

Nicaragua's external debt relative to national income stands at 55%, and 66% when including all public debt. The debt service is also growing over 3% of the country's GDP. The IMF's latest meeting with the Nicaraguan government has modified its view of economic performance recognizing that the government maintains a balance budget, controlling interest rates but signaling weaker 3% growth.

With a weaker growth, however lending prospects are limited, particularly under continued indebtedness and a state that has been warned on governance issues, if the debt service continues to increase.<sup>4</sup> Declining access to loans will affect government expenditure and growth.

**FIGURE 2: NICARAGUA'S EXTERNAL BORROWING INDICATORS**

Source: Central Bank of Nicaragua (*deuda externa*) and Ministerio de Hacienda, *Deuda Publica Externa*.



**TABLE 5: LOANS BY THE INTERNATIONAL COMMUNITY**

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

YEAR	COSTA RICA	UNITED STATES	OTHER COUNTRIES	WORLD	NICARAGUAN POPULATION	SHARE OF POP.
<b>NATIONAL FUNDS</b>	382.33	53%	296.7	32%	112.8	30%
<b>CABEI</b>	155.12	21%	290.56	31%	176	47%
<b>IDB</b>	86.089	12%	199.44	21%	32.2	9%
<b>SPAIN</b>	18.89	3%	5.2732	1%	0.76	0%
<b>WORLD BANK</b>	18.068	2%	30.17	3%	18.3	5%
<b>OPEC</b>	12.754	2%	-	-	3.99	1%
<b>EUROPEAN UNION</b>	15.787	2%	13.001	1%	2.79	1%
<b>GERMANY - KFW</b>	3.80	1%	2.24	0.20%	0.28	0%
<b>EUROPEAN INVESTMENT BANK</b>	9.9832	1%	32.477	3%	8.95	2%
<b>HOLLAND</b>	6.4916	1%	-	-	-	-
<b>REPUBLIC OF KOREA</b>	5.341	1%	11.415	1%	10.3	3%
<b>GERMANY - GIZ</b>	0.2122	0%	-	-	-	-
<b>CANADA</b>	2.8473	0%	-	-	-	-
<b>NORDIC DEVELOPMENT FUND</b>	1.7338	0%	-	-	-	-
<b>JAPAN</b>	3.4827	0%	-	-	0	0%
<b>LUXEMBOURG</b>	2.2498	0%	-	-	-	-
<b>SWITZERLAND - SDC</b>	0.0072	0%	-	-	-	-
<b>OTHERS (KUWAIT, INDIA, TAIWAN)</b>	-	-	-	6%	4.73	1%
<b>TOTAL (US\$ MILLION)</b>	725.2	100%	936.6	100%	371	100%

Nicaragua fits the textbook definition of state capture, that is of “efforts of firms to shape the laws, policies, and regulations of the state to their own advantage by providing illicit private gains to public officials.”<sup>5</sup> The IMF points situations of a state capture such as those when “senior public officials may engage in embezzlement, extortion or intimidation of the private sector for the purpose of enriching themselves, their families and their associates (often referred to as a “kleptocracy”).”<sup>6</sup>

The Ortega-Murillo family has captured the state in its entirety, controlling the legal and regulatory environment on all matters of social, civic and economic policy.

The Executive Board of the IMF’s latest conclusion highlights that Nicaragua must address anticorruption efforts. The IMF also asked to “strengthen the asset declaration regime for public officials and prioritize reviews of politically exposed persons to strengthen anti-corruption

efforts. They also recommended ensuring whistleblower protection, fair and impartial access to the court system and to recourse in legal proceedings, to support property rights, contract enforcement, and investment protection.<sup>7</sup>

In order to make a fair assessment of anticorruption frameworks in a country like Nicaragua, the point of departure is to review and recommend on the state of the entire legal and political framework. First, the Ortega-Murillo family have utilized the state as a platform or vehicle to enrich themselves and those in the circle of power. The Ortega family owns businesses that have operated through state favors, and do not qualify as 'one instance' of corruption, from examples of those of Rafael Ortega's administration of oil purchase and management from PetroCaribe with revenue going directly to the family, to the direction of a private business network of companies, many of which have been also subject to sanctions, that operate through economic favors from the state.

Second, the IMF call for support of property rights, contract enforcement and investment protection is important given the way the government has operated 'weaponizing' taxes from businesses for political purposes increasing judicial insecurity. The tax from businesses has been a key source of revenue between 2018 to 2022 relative to all revenue, particularly since tax changes on businesses in 2019, and has occurred through means of state budgetary increases as well as extortion from the state itself. Businesses complain of a complete absence of judicial security, that they are penalized with unjustified fines without due legal recourse.<sup>8</sup>

In the middle of a struggling economy, businesses have consecutively paid one billion dollars annually. Those payments are not only based on existing taxes but on arbitrarily imposed tax penalties which are later 'negotiated' for lower amounts provided they bribe the tax authority.

Third, legislation like the foreign agents' law, the law to protect the financial consumer, are clear examples of state capture. The process of elimination of an entire sector of the country (supported by the foreign agents' law and using false accusations of money laundering by nonprofits), of over 3,000 non-profit organizations in a country that has less than 4,000 in fully functioning groups represents a systematic policy of de-risking in order to make a clean slate for incumbent sectors. The financial consumer protection law was designed to protect those sanctioned and their relatives from having their bank accounts removed. Executives who went against the state pressure to maintain the accounts of those sanctions ended up in prison on false charges.

The Nicaraguan government has borrowed extensively, mostly through CABEL. The loans from CABEL are non-transparent, with little accountability, and into public works outside of national development plans. Particularly during an election year, most public investment was on public work as it was in 2022, and freed funding to increase police expending and hiring, from 11,000 to 20,000 in four years. CABEL is now funding 70% of all international lending.

# TOURISM

One of the few improvements in the economy is tourism, largely as a result of changes in the pandemic and increased tourism. Moreover, as international airlines are resuming activities in 2023, access to entry to the country may increase. So far access has continued to be highly

scrutinized. The government introduced a metric called excursionists, which by 2021 reflected 28% of all tourists. Thus, the economy may receive an entry of US\$300 million in 2023.

**TABLE 6: NICARAGUA'S TOURISM REVENUE**

Source: Central Bank of Nicaragua, and author estimates for 2023

YEAR	VISITORS	TOURISTS	EXCURSIONISTS	CRUISE TRAVELERS	VALUE
2017	1,958,000	-	-	-	\$841,000,000
2018	1,412,000	-	-	-	\$544,000,000
2019	1,454,504	1,295,218	73,749	85,537	\$517,976,723
2020	474,421	383,979	65,407	25,035	\$196,123,632
2021	312,425	222,434	89,991	0	\$183,835,236
2022	762,000	NA	NA	NA	\$285,750,000
2023 EST.	850,000	NA	NA	NA	\$318,750,000

# THE DOMESTIC CONTEXT: STRUGGLING AMIDST ECONOMIC AND POLITICAL REPRESSION

Economic growth will not come from the local business and economic forces because they are still under strain. The regime's repression has caused largescale migration due to fear and lack of economic opportunities, which in turn has increased the size of the informal economy, while the size of the labor force has declined with large losses in growth in formal employment.

As of 2023 Nicaragua should have at least more than one million formal workers, with per capita income under US\$2100, similar to 2017. With declines in the growth of remittances, it is difficult to expect increases in private consumption above 2%.

**TABLE 7: LABOR FORCE AND WAGE INDICATORS**

Source: World Bank Development indicators; Central Bank of Nicaragua, [Mercado Laboral](#); [Basic food basket](#).

YEAR	LABOR FORCE	LABOR FORCE EXCLUDING PEOPLE WHO MIGRATED	FORMAL WORKERS	INFORMAL WORKERS	SIZE OF INFORMAL WORKERS	MIGRATION	WAGES	BASIC FOOD BASKET
2017	2,905,597	2,877,597	914,196	1,963,401	68%	28,000	\$341	\$437
2018	2,952,156	2,872,156	818,396	2,053,760	72%	80,000	\$345	\$420
2019	2,998,413	2,898,413	735,236	2,163,177	75%	100,000	\$347	\$422
2020	2,968,394	2,943,394	714,465	2,228,929	76%	25,000	\$315	\$417
2021	3,042,491	2,881,222	757,548	2,123,674	74%	161,269	\$311	\$459
2022	3,072,916	2,722,916	787,428	1,935,488	71%	350,000	\$301	\$518
2023	3,103,645	2,903,645	795,000	2,108,645	73%	200,000	\$315	-

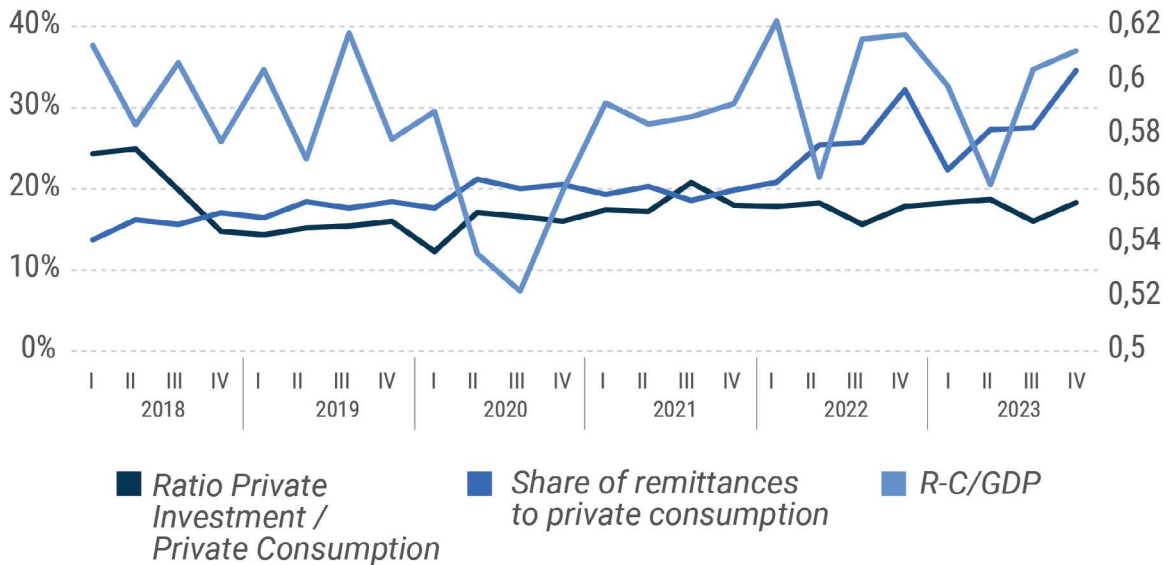
Consumption has only improved because of remittances while the informal sector struggles to make ends meet. The growth in consumption in 2022 was directly related to increases in remittances, a drop in remittance growth will slow domestic consumption.

Private investment and banking activity continues to be low and has not reached 2018 crisis levels. In nominal terms private investments have grown a steady rate

and increased from 12% to 14% of GDP between 2018 and 2022. However, relative to private consumption, investment remains below 2018 levels. The factor that has sustained some of this investment is the contribution of remittances to private consumption, which doubled from 14% to 30% of private consumption. Without increases in remittances people's ability to consume would not have been satisfied significantly.

**FIGURE 3: DOMESTIC ECONOMY : CONSUMPTION, REMITTANCES AND PRIVATE INVESTMENT**

Source: Central Bank of Nicaragua, [Produccion](#).

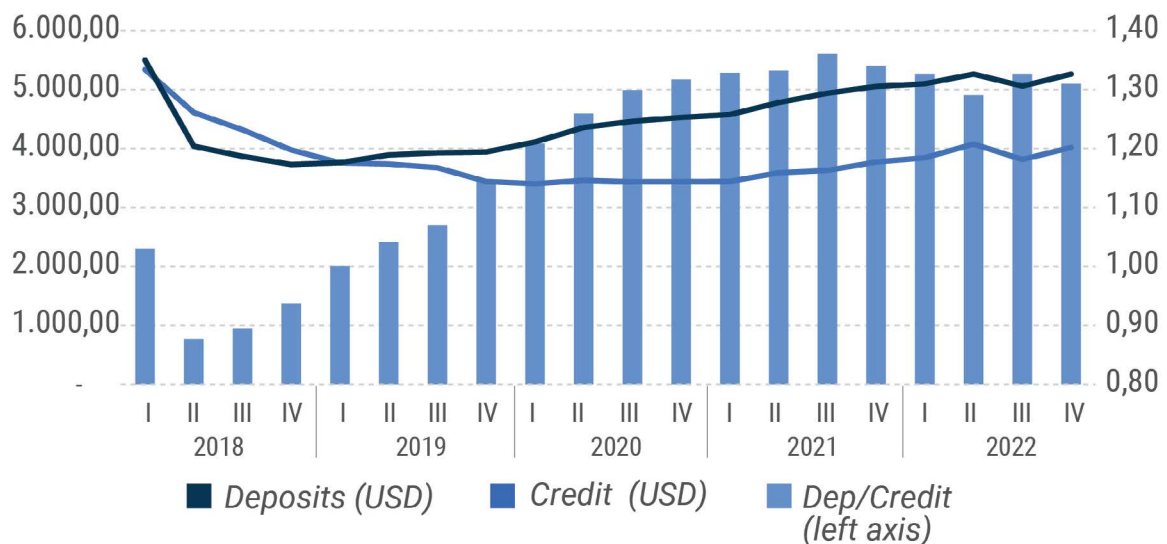


When it comes to banking activities, investor confidence is not up and credit continues to be low with loans at risk of default high above 2018. Deposits have increased but **have not** reached pre-crisis levels. Deposits have exhibited a regular incremental return because of business operations but no investment or expansion. Businesses stress the lack of confidence in investing and rather keeping the money in their accounts, hence liquidity under risk.

Loans are 70% of what they were in 2018 and savings at 90%; with an annual compound growth of 6% growth (at pre-crisis periods). Of more concern, particularly in reference to 'crisis' is loans at risk of default are still almost three times what they were in 2018 and are the highest in Central America. Businesses that went bankrupt was widespread and the commerce activity in the country is due to businesses gaining consumers from the competition that did not survive.

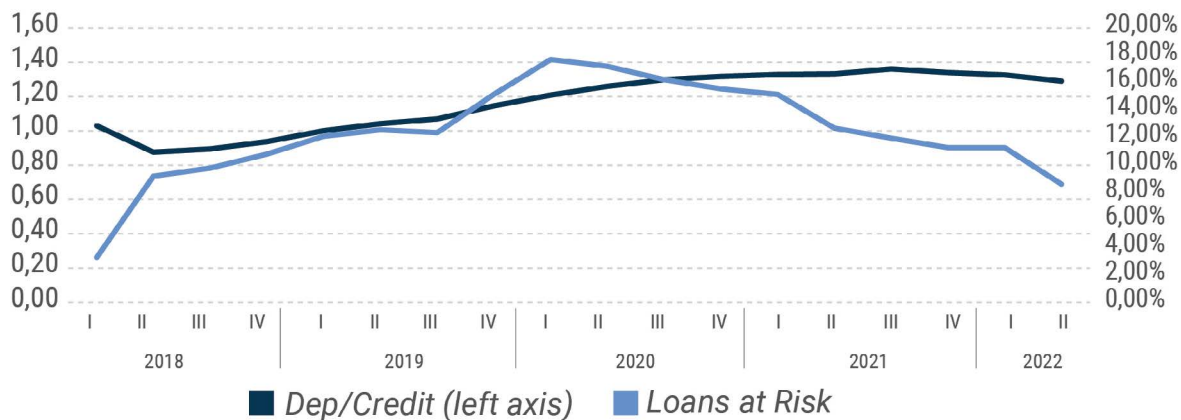
**FIGURE 4: BANKING ACTIVITY (US\$,000,000): CREDIT, DEPOSITS AND RATIO**

Source: [Indicadores Financieros Mensuales](#).



**FIGURE 5: LOANS AT RISK AND DEPOSIT-CREDIT RATIO**

Source: *Indicadores Financieros Mensuales*.

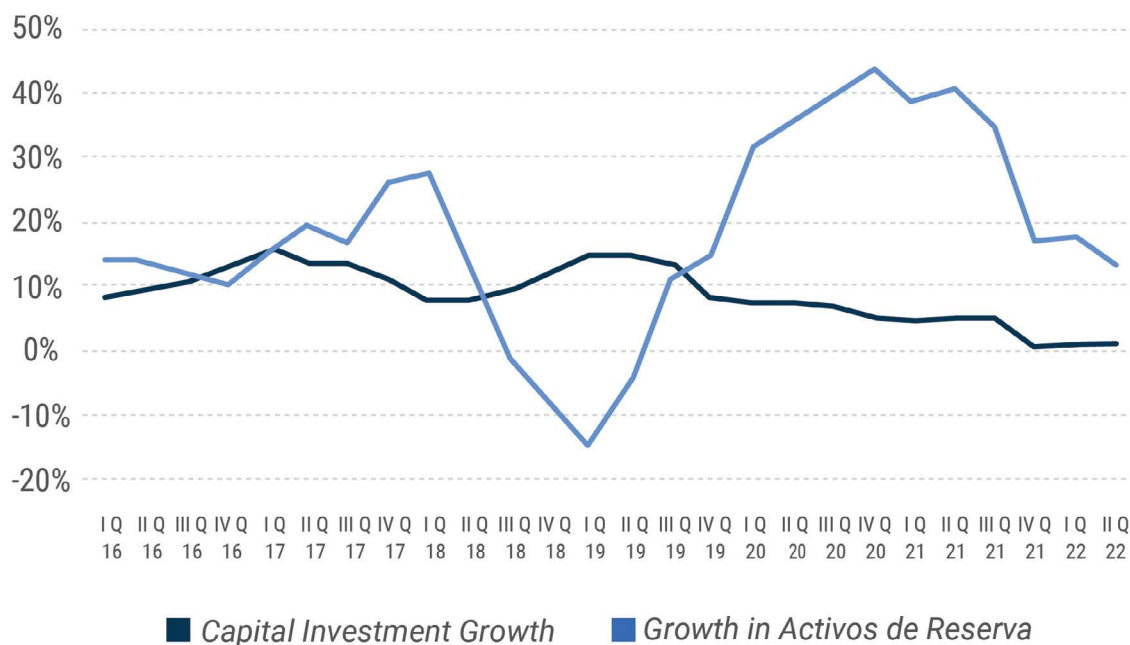


Businesses have conveyed that there is no growth in foreign direct investment. Growth of capital investments by foreign firms shows a steady decline since the crisis of 2018. While FDI has increased, it has been in deposits

or reserves. The result is that there is liquidity but no investment, domestic or foreign, access to credit is still low, and not enough to provide access to businesses.

**FIGURE 6: GROWTH OF CAPITAL INVESTMENTS AND RESERVES FROM FDI IN NICARAGUA**

Source: Central Bank of Nicaragua, International Investment Position (Posición de Inversión Internacional, saldos a fin de cada periodo (MBP6)).



# GOVERNMENT AND THE ECONOMY

The state's economic policy has utilized extortion, external borrowing, and repression to increase its public revenue and maintain public spending while oxygenating clientelism and repression, while perversely not using **international reserves**.

Macroeconomic data shows no significant use of international reserves during the past four years, the factors that have shaped macro-economic performance are directly linked to state capture and state repression not by buffers from government deposits or reserves. State

economic intervention relative national income increased from 16% to 21% of GDP in five years.

Public investment has increased two thirds since 2018 as a measure to sustain the political regime. That increase is directly associated with external borrowing, a condition that has permitted the state to protect political interests through economic favors. Government expenditure has not increased in the same fashion. Its sources of revenue have arrived mostly from tax penalties and increasing taxes on businesses, and value added taxation mostly fueled by remittances.

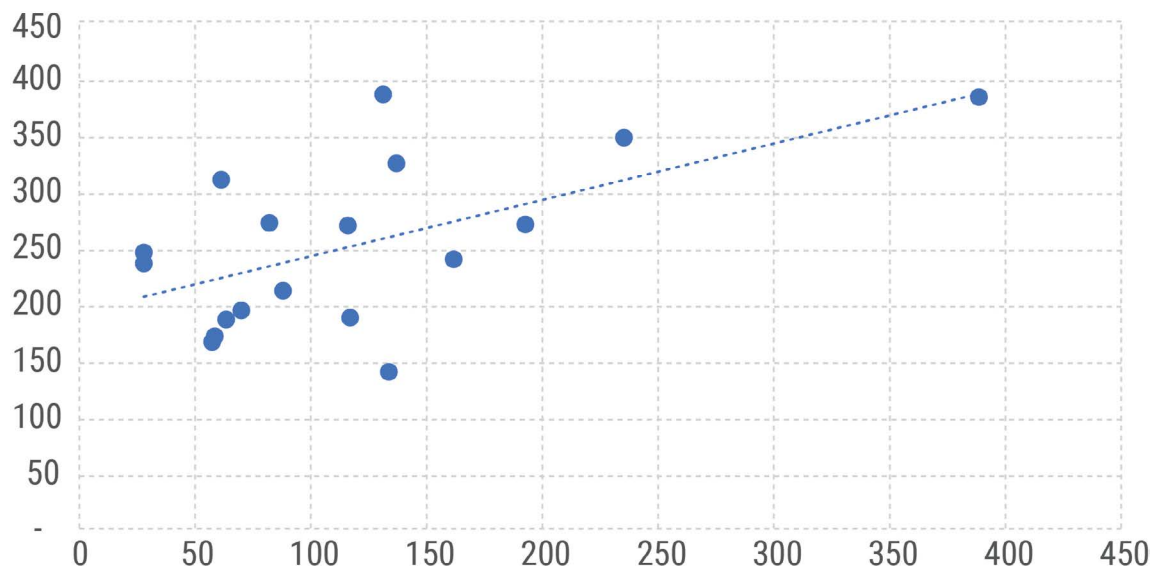
**TABLE 8: GOVERNMENT EXPENDITURE AND INVESTMENT AS SHARE OF GDP**

Source: Central Bank of [Nicaragua](#), author estimates of expenditures from remittance income received.

YEAR	GOV. EXP.	PUBLIC INVEST	TOTAL
2018	10.7%	5.1%	15.8%
2019	15.1%	5.6%	20.6%
2020	15.0%	9.4%	24.4%
2021	14.2%	8.1%	22.4%
2022	13.3%	8.0%	21.2%
2023	13.3%	8.2%	21.5%

**FIGURE 7: STATE EXTERNAL BORROWING AND PUBLIC INVESTMENT**

Source: Central Bank of [Nicaragua](#), author estimates of expenditures from remittance income received.





# GOVERNMENT EXPENDITURE

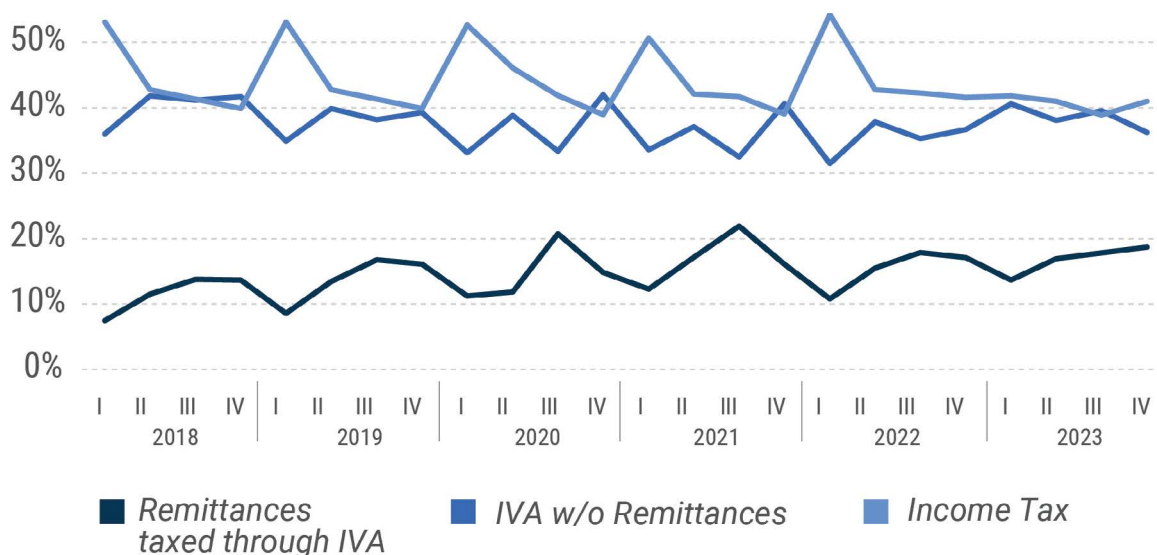
Expenditure depends on borrowing and revenue. Public revenue has increased as a result of extortion but mostly remittances. Remittances as a share of revenue collection through the IVA increased from 7% in 2018 to 17% of total revenue in 2022. Remittances flows are a direct product of the outflow of migrants in post-April 2018 period and dramatically intensifies during the April 2021 legal procedures implemented to criminalize democracy. The intention to migrate and the act of migration has directly

correlated to political conditions in the home country. Surveys conducted between 2019 and 2021 point to a statistical correlation of the intention to migrate with worsening political and economic conditions in the country.<sup>9</sup>

While the main sources of state revenue may remain constant, the decline in remittance growth means lower entry of revenue from value added tax.

**FIGURE 8: NICARAGUA STATE REVENUE**

Source: Central Bank of Nicaragua. IVA Value Added Tax. Remittances author estimates.



**TABLE 9: GOVERNMENT REVENUE INDICATORS**

Source: Central Bank of Nicaragua. IVA Value Added Tax. Remittances author estimates.

YEAR	INCOME TAX	REMITTANCE CONTRIBUTION TO IVA	IVA	TOTAL REVENUE	GOVERNMENT EXPENDITURE	GOVT EXP./REVENUE
2018	926	225	1,033	2,038	1,916	94%
2019	882	252	985	1,942	1,889	97%
2020	960	308	1,091	2,127	1,879	88%
2021	924	350	1,109	2,114	1,993	94%
2022	1,406	484	1,548	3,081	1,941	63%
2023	1,250	532	1,691	3,061	1,980	65%

## STRESSING GOOD GOVERNANCE IN 2023 AND BEYOND

Given limited economic growth, the prospects of better opportunities for Nicaraguans is low. It is important to pressure the government to adopt inclusive economic policies.

The IMF stresses that during performing assessments is important to “exercise judgement in situations that political actions lead to dysfunctional economic activity”. This recommendation is beyond needed and obligatory for a country like Nicaragua, and diligently the IMF should pursue the pattern of state capture and identify measures to mitigate it. The IMF should consider the four key factors of governance as critical metrics that ensure economic stability; particularly in reference to Central Bank independence, financial sector oversight and market regulation and the rule of law.<sup>10</sup>

Nicaragua is a country where democracy and economic policy has been criminalized (extortion, expulsion, tax penalties), because the independence of state institutions is absent and captured by the Ortega-Murillo family. They chose to enact laws that go in the direction of protecting the status quo not the public good, even increasing the share of public expenditure on the police four-fold.

The government has steered away from their own national development plans, decreased investments in education and human capital. Consider the effects of migration due to expulsion when fifteen percent of the migrants that left Nicaragua between 2021 and 2022 are people with a tertiary education in a country where less than 20% of its labor force have a tertiary education.<sup>11</sup>

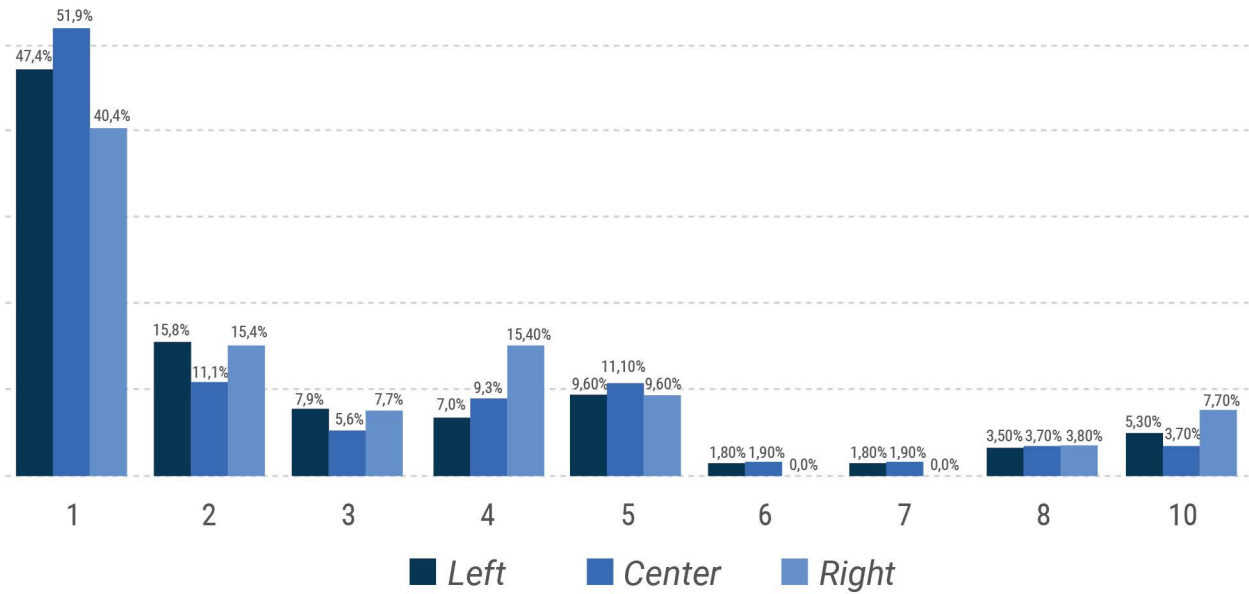
It is important that the IMF uses its proper guidance on governance with regards to Nicaragua. Its policies and recommendations can effectively contribute to further economic stability and equality in the country and reduce kleptocracy and corruption as is now the case.

The government economic policy is not sustainable for higher growth, only for low maintenance supported by remittances, external loans, and tax extortion. Remittances are not likely to exhibit current growth because migration has demographically reached a high point (nearly 20% of the population has migrated) and people will adjust their income to livelihood in the host country.<sup>12</sup> Because Nicaragua continues to raise its debt-to-income ratio, lending will likely become scarce.

Hence, scarcity will rise, so will the increase of the informal economy, now at more than 2 million people. Higher economic deprivation with less formal businesses (many of which went bankrupt) and low performing exports (below 8% growth in 2022 operating through economic enclaves), will keep a stagnant economy.

Even government supporters or left leaning people do not see the government performing well and dissatisfaction will lead to lower loyalties to the regime. In a recent IAD public opinion survey in January 2023, regardless of whether people identified themselves as left, center or right in an ideological spectrum, everyone graded the government with the lowest number.

**FIGURE 9: GRADE TO ORTEGA ON GOVERNMENT PERFORMANCE AND IDEOLOGICAL POSITION**



So far, Nicaraguans are living on 2017 earnings with inflation and higher costs of 2022. The government’s economy policy sustained by a state capture is unsustainable in so far as far as exhibiting healthy

prospects for economic growth. It is in the interest of the international community to advise and bring governance principles into practice in order to adopt steps consistent with its governance principles.

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