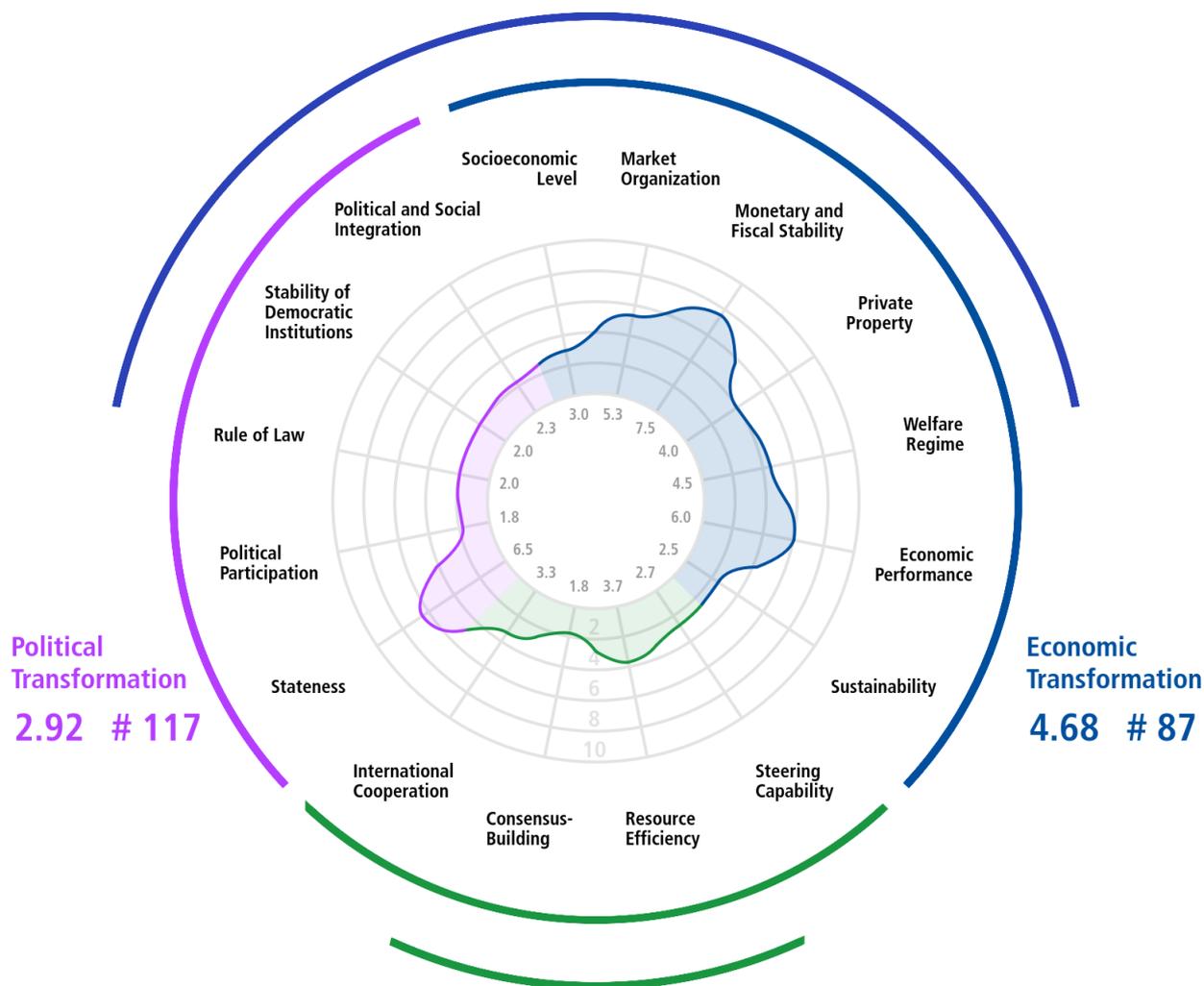


Nicaragua

Status Index

3.80 # 107

on 1-10 scale out of 137



Political Transformation
2.92 # 117

Economic Transformation
4.68 # 87

Governance Index

2.61 # 121

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	6.9	HDI	0.706	GDP p.c., PPP \$	8709
Pop. growth ¹	% p.a.	1.3	HDI rank of 193	123	Gini Index	46.2
Life expectancy	years	74.9	UN Education Index	0.651	Poverty ³	% 14.4
Urban population	%	60.2	Gender inequality ²	0.408	Aid per capita \$	85.3

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

During the previous reporting period, the ruling Sandinista National Liberation Front (FSLN) consolidated a police state. Having eliminated all political opposition, the FSLN has spent the past two years laying the groundwork for an eventual transfer of power from President Daniel Ortega to his wife, Vice President Rosario Murillo.

Nicaragua's political trajectory in this period was bookended by two key events. Early on, in February 2023, authorities released 222 political prisoners, deported them to the United States, declared them to be "traitors to the fatherland," stripped them of their citizenship and announced that all their assets would be subject to confiscation. This marked a new phase of repression, with the ruling elite seeking to systematically remove dissidents from the country. In the following months, dozens of exiled Nicaraguans were similarly declared traitors and expatriated. Crucially, hundreds of Nicaraguan citizens were denied entry into the country, either in retaliation for past dissidence or simply for having familial or business ties to individuals deemed to be part of the political opposition. Another 135 political prisoners were released and deported to Guatemala in September 2024. The elimination of critical voices, the closure of civil society spaces, the centralization of power and the overall climate of terror led a U.N. Human Rights Council-appointed group to state in March 2024 that the Nicaraguan government continues to perpetrate "serious systematic human rights violations, tantamount to crimes against humanity."

Toward the end of the reporting period, in November 2024, the National Assembly approved a constitutional reform that was to take effect in early January 2025. The reform legalizes many human rights violations perpetrated by police and paramilitary forces against dissidents in recent years, as well as the general suspension of civil rights. It further centralizes power in the executive branch and erodes the separation of powers. Most significantly, the updated constitution includes changes to electoral laws that abolish the presidency and vice presidency in favor of a two-person "co-presidency." Accordingly, in January 2025, Murillo will assume the role of co-president, marking an incremental step toward her eventual accession to power. The central question in

Nicaragua is no longer whether civil society and pro-democracy forces can bring about electoral reform or regime change, but whether key factions within the Sandinista Front and the military will support this dynastic succession once Ortega is no longer in power.

These authoritarian transformations have been underpinned by a continued economic recovery from the twin shocks of the 2018 – 2019 political crisis and the 2020 COVID-19 pandemic. Fiscal and monetary stability, along with prospects for sustained growth, have returned to pre-crisis levels. A major factor in this recovery has been the paradigm-shifting growth in remittances, driven by the growing exodus of Nicaraguans. Remittances accounted for nearly one-third of GDP during the reporting period. Neither the tense business climate nor the regime's ongoing loss of international credibility has significantly hindered economic performance. However, this does not mean that the socioeconomic situation is satisfactory for most Nicaraguans or that there are prospects for major reductions in the poverty and inequality that have historically defined the country. According to a recent survey, roughly half of Nicaraguans express a desire to leave, and approximately 850,000 have already emigrated since 2017.

History and Characteristics of Transformation

Power in Nicaragua was peacefully transferred through free and fair elections for the first time in 1990. Held under the Central American Peace Accords, the elections helped end a devastating civil war between the U.S.-backed Contra insurgency and the Sandinista National Liberation Front (FSLN) revolutionary government, which had risen to power in 1979 by violently overthrowing the Somoza family's decades-old dictatorship. Whereas the FSLN's socialist-inspired government pursued a statist and redistributionist economic model during the 1980s, the democratically elected governments of Violeta Barrios de Chamorro (1990 – 1996), Arnoldo Alemán (1997 – 2002) and Enrique Bolaños (2002 – 2007) pursued market-based and export-oriented development models in close consultation with international lenders. Thus, the 1990 elections were doubly transformative, liberalizing both the political system and the economy. After the transition to democracy, civil society flourished as never before, and after an initial recovery and reconstruction period, the economy grew at rates that tracked or even exceeded the Latin American average.

Still, challenges persisted. Poverty reduction was slow, and levels of economic and social inequality remained very high. The structural adjustment policies that accompanied the transition inflicted severe pain on large segments of the population. Persistent corruption exacerbated these problems. Although governments changed hands peacefully, successive administrations did little to address the traumatic legacies of the armed conflict. While electoral competition occurred, power-sharing agreements between Arnoldo Alemán (of the right-wing Liberal Constitutionalist Party, PLC) and Daniel Ortega (of the FSLN) slowly undermined the country's new democratic institutions. The most famous agreement was "El Pacto" in 2000, which resulted in the politicization of oversight and accountability institutions under the sway of both the PLC and FSLN. The judiciary and the Supreme Electoral Court (CSE) also developed a clear two-party bias, excluding other political formations. The pact also had detrimental consequences for the

electoral process, as it modified the electoral system, allowing the first-place party that obtained more than 35% of the vote to win in the first round, as long as it had at least five percentage points more than the second-place party. This reform helped the FSLN win the 2006 general elections and enabled the party to become a hegemonic power, scrapping the former two-party logic.

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

Since then, the ruling FSLN has increasingly relied on the state’s repressive apparatus to sustain the Ortegas’ political project. This included the use of police and parapolice violence to suppress protests in 2018 – prompting accusations of “crimes against humanity” by the Inter-American Commission on Human Rights. The level of repression, combined with the regime’s dynastic attributes, frequently evokes comparisons to the Somoza dictatorship of the 20th century.

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

Transformation Status

I. Political Transformation

1 | Stateness

The Nicaraguan state's monopoly on the use of force has extended across the entire national territory since the end of the armed conflict in 1990 and the transition to democracy. Nevertheless, widespread protests in 2018, marked by roadblocks and barricades, briefly disrupted state control in certain areas. Their lethal suppression eliminated the likelihood that such demonstrations would recur or challenge localized state control. While a militarized police presence remains visible at political events and in specific regions – indicating lingering insecurity – large-scale defiance or vandalism against the state is highly unlikely.

Since 2018, the government's use of informal paramilitary groups to suppress dissent has raised concerns about erosion of its monopoly on violence. These groups, which coordinated with official security forces, were rebranded as “volunteer police” in a 2024 constitutional reform. Article 97 designated them as an “auxiliary support body” for the National Police. This provision, enacted in January 2025, seems aimed at neutralizing criticism from civil society that these groups could become independent sources of violence, merge with transnational criminal organizations or challenge the state's strong monopoly on violence. The legalization of non-state armed groups by an undemocratic government poses long-term risks.

Other challenges remain. Tensions persist between mestizo settlers from Pacific regions and Indigenous groups in Caribbean-facing regions who assert collective land ownership. It is not clear whether the state lacks the capacity or political will to resolve these disputes, which thus undermines the perception of uniform state authority in these areas. Additionally, Mexican and Colombian drug cartels have established a transit corridor through Nicaragua for northbound narcotics. While their influence remains below levels seen in the Northern Triangle, their presence highlights limits to the state's control over certain criminal activities.

Question
Score

Monopoly on the
use of force

8



1

The idea of Nicaragua as a nation-state is universally accepted. However, during the reporting period, members of the government increasingly portrayed dissidents as being outside the nation-state, labeling them un-Nicaraguan. This reflects an unprecedented conflation of the FSLN party identity with the state itself. Access to citizenship and naturalization has increasingly been denied to certain groups considered part of the opposition. In February 2023, an appellate court stripped 222 Nicaraguan former political prisoners of their citizenship after authorities released them, deported them and declared them “traitors to the fatherland.” The basis for this unprecedented action was a new “Special Law Regulating the Loss of Nicaraguan Nationality.” Two weeks later, the government identified an additional 94 opposition figures, most of whom were already in exile, as “traitors” and likewise revoked their citizenship. All affected individuals saw their assets in the country subject to confiscation. In September 2024, the government released and deported another 135 political prisoners, all of whom met the same fate of denationalization as those before them.

Other Nicaraguans living abroad – those deemed subversive or undesirable by authorities or, sometimes, simply those connected by kinship ties to officially recognized “traitors” – have informally become stateless because Nicaraguan consulates have refused to renew their passports. Many more citizens have been barred from reentering the country. In March 2024, a report by United Nations human rights experts found that at least 145 Nicaraguans had been denied entry into the country during the reporting period. The figure cited by the U.N. report is almost certainly a drastic undercount, as many affected individuals are hesitant to speak out for fear that doing so will increase the chances that other family members will experience the same situation or otherwise face retaliation by the state. The constitutional reform approved by the National Assembly in 2024 specifically stated that citizenship rights are to be suspended for those deemed “traitors to the fatherland.”

In the Atlantic regions, long-standing issues persist. Tensions between mestizo settlers encroaching on Indigenous lands and Indigenous groups asserting their rights have intensified. Increased violence against Indigenous people and the closure of Indigenous political parties have drawn repeated criticism from international bodies such as the United Nations High Commissioner for Human Rights and the Inter-American Commission for Human Rights. In 2023, the FSLN government stripped the Sons of Mother Earth (YATAMA) political party, which has roots in Nicaragua’s large Indigenous Miskitu community, of its legal status and arrested its historic leader, Brooklyn Rivera. Since 2010, the displacement of thousands of Indigenous Nicaraguans has exacerbated existing social and economic challenges in these areas. While there is no threat of separatism in these Atlantic regions, these communities continue to struggle for inclusion in the broader Nicaraguan national identity. Young Afro- and Indigenous Nicaraguans predominantly seek recognition and integration rather than secession, despite facing systemic racism and economic marginalization.

State identity

5



The state's legal framework and institutional arrangements rest on secular norms, but religious dogma continues to exert influence, particularly on issues such as abortion, which is banned and criminalized under all circumstances in Nicaragua. Given its left-wing background, many expected the ruling FSLN to have an antagonistic relationship with the Catholic Church when it returned to power in 2007 (having previously held power in the 1980s). Instead, it developed a smooth working relationship with church leaders. However, this entente collapsed during the political crisis of 2018, when most Catholic leaders sided with pro-democracy protesters against the regime. Since then, the regime has increasingly sought to diminish the Catholic Church's influence, viewing it as a political adversary. This has led to significant friction.

In a 2022 CID Gallup poll, a shrinking minority of Nicaraguans (44.9%) identified as Catholic, while an increasing minority (39.8%) identified as evangelical, Protestant or Pentecostal Christians. This marks a significant shift from the 2005 census, in which 58% of Nicaraguans identified as Catholic. While updated CID Gallup data are unavailable, a 2024 poll by the Nicaraguan firm M&R indicated that the trend has continued and even suggests that Protestants may now constitute a plurality of the population by religious affiliation.

A lack of transparency continues to undermine the quality and quantity of data used to measure basic administration in Nicaragua. Recent data are scarce except for electrification rates, which reportedly rose slightly from 86.3% in 2021 to 86.5% in 2022, according to the World Bank. These figures fall short of the government's claim that it is nearing universal coverage. According to the most recent World Bank data, approximately 55% of the population had access to safely managed water in 2014 – 2020, with no up-to-date information available for the reporting period. Similarly, the latest figures from 2021 indicate that 73% of the population had access to basic sanitation, showing no significant improvement since 2016.

Although the political crisis of 2018 – 2019 has not been fully overcome, the level of instability is not comparable to that of those years. This has allowed basic services to continue without major disruption. Challenges persist, particularly in rural areas where infrastructure remains underdeveloped. Additionally, the politicization of basic institutions continues to affect the efficiency, quality and reach of these services. This politicization stems from the fusion of state, FSLN and Ortega family interests at the highest levels of government.

No interference of religious dogmas

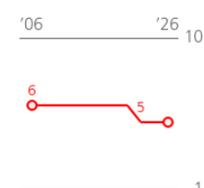
8



1

Basic administration

5



1

2 | Political Participation

During the previous reporting period, Nicaragua's fragile electoral system reached the point of complete collapse. Prior to the November 2021 elections, authorities arrested not only all those who announced plans to run, but also numerous civil society figures, including journalists, human rights defenders and business leaders. Authorities justified these arrests by making accusations of treason, terrorism and conspiracy to undermine national sovereignty. President Ortega and Vice President Murillo were re-elected with 75.92% of the vote in elections that lacked meaningful participation and were widely condemned by the international community. The Organization of American States (OAS) promptly adopted a resolution denying the legitimacy of the results.

During the current reporting period, no signs of electoral reform have emerged. Instead, steps have been taken to further tighten Ortega and Murillo's grip on power. In November 2024, the National Assembly approved a constitutional reform that extended the presidential term from five to six years and eliminated term limits altogether. The reform also introduced the concept of co-presidents, allowing either Ortega or Murillo to assume sole power if the other dies, effectively paving the way for Murillo's succession. Speculation abounds that their son, Laureano Ortega-Murillo, may be positioned as next in line thereafter.

The reform also formally prohibits hundreds of Nicaraguans labeled as "traitors" from holding public office, further entrenching the regime's authoritarian rule. These measures have accompanied recent moves to expatriate virtually all opposition figures who in the past have expressed intentions to run for office or might theoretically do so in the future. Given past trends and the Supreme Electoral Council's complete subordination to the executive's whims, future elections are expected to lack transparency, independent monitoring or opposition participation. These reforms to the electoral component of the constitution demonstrate that Nicaragua's current rulers do not plan to abolish elections altogether. Rather, they are serving as a formal mechanism to maintain a semblance of legitimacy even as the government actively suppresses political dissent and opposition.

Power in Nicaragua is more concentrated than ever in the hands of the president and vice president, with the latter having gained prominence in recent years. Ortega and Murillo exercise complete control over the state, with no meaningful checks or veto players. Political decision-making is centralized within the executive, and elected bodies such as the National Assembly merely rubber-stamp legislation dictated by the presidency. The electoral process remains a formality that is devoid of competition or transparency.

With the collapse of independent institutions, the silencing of dissent and the subjugation of key interest groups – such as the Catholic Church and the business elite – that previously operated as intermediaries between the state and society, the

Free and fair elections

2



Effective power to govern

1



regime faces no significant internal challenges. The military, while formally separate from the ruling party, remains deeply intertwined with the Sandinista Front through economic and political ties. The national police continue to operate under the direct control of the executive, ensuring the suppression of opposition and civil society. The 2024 constitutional reform further formalized executive control over these institutions.

The Nicaraguan constitution guarantees a comprehensive range of rights related to association and assembly. These constitutional guarantees were largely upheld during the tenures of the three governments that followed Nicaragua's transition to democracy in 1990. However, since President Ortega's assumption of power in 2007, these rights have been progressively curtailed. During the political crisis of 2018 – 2019, they were effectively eliminated through widespread, systematic and lethal repression of protesters by police and paramilitary forces. At present, street demonstrations are outright prohibited. Ahead of the 2021 elections, authorities arrested all high-profile opposition figures, effectively criminalizing any form of organized dissent. Even closed gatherings of dissidents and journalists are no longer safe, as the government continues to arrest individuals it perceives as threats.

The situation neither deteriorated further nor improved during the reporting period. Repression has reached such an extreme that even Nicaraguans wishing to assemble for ostensibly non-political purposes must consider the possibility that the government will misconstrue the gathering, view it as a threat to its legitimacy and target its organizers. The fear of arbitrary detention has discouraged people from engaging in any gatherings that could carry even the slightest political dimension. The government's closure of a wide range of NGOs, including charities, book clubs and business chambers of commerce, has further cast a shadow on organized gatherings. There is no practical possibility for workers to organize and strike, for example – something the International Labor Organization has condemned.

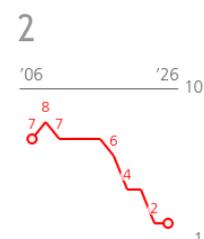
The judicial system plays an integral role in suppressing assembly rights, sentencing individuals who unite against the regime to prison on flimsy or fabricated charges. Recent constitutional reforms have given the executive formal authority to suspend assembly rights under the pretext of safeguarding national security and sovereignty.

Article 30 of the constitution guarantees freedom of expression. During the first phase of the current FSLN government (2006 – 2018), independent media faced increasing levels of harassment and obstruction. The government initially undermined press freedom through indirect methods such as withholding advertising revenue and imposing bureaucratic obstacles. However, after the 2018 political crisis, the government adopted a more aggressive approach by branding independent media as foreign-backed coup agents, shutting down outlets, seizing assets and forcing journalists into exile.

Association / assembly rights



Freedom of expression



Between 2018 and 2022, the situation worsened further. Prominent journalists were jailed or exiled, and outlets like *Confidencial*, *100% Noticias* and *La Prensa* were forced to operate abroad. The freedom of expression deteriorated even further during the current reporting period. In 2024, former army chief Humberto Ortega – President Ortega’s brother – was jailed for questioning the plans for Rosario Murillo’s succession and died under house arrest months later, underscoring the regime’s intolerance of even mild criticism.

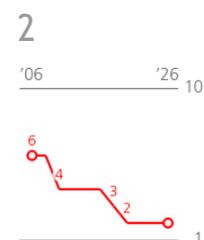
Repression has extended beyond politics. In 2023, the government’s paranoia was evident in its reaction to Miss Universe contestant and Nicaraguan native Sheyniss Palacios’s victory in El Salvador. Her victory sparked spontaneous celebrations across Nicaragua, but the government swiftly arrested participants, including a muralist and social media influencer. Rather than co-opting her success, the regime barred Palacios from returning, briefly jailed relatives of the Miss Nicaragua pageant organizer and framed the event as an international plot to humiliate the government.

In 2024, Nicaragua ranked 163rd in the World Press Freedom Index, down three places from 2022. It remains last in the Inter-American Press Association’s rankings for press freedom in the Americas. According to the Inter-American Commission on Human Rights (IACHR), journalists face imminent risk of arrest for reporting on topics of general interest. Self-censorship is rampant, with a 2024 Americas Barometer survey showing that 74% of Nicaraguans fear speaking openly about politics, up from 64% in 2021. The government also continues to enact laws that retroactively legitimize repression. The new Telecommunications Law extends control beyond television and radio to include the internet, further tightening the state’s grip on digital communications.

3 | Rule of Law

Nicaragua’s government has long lacked a genuine separation of powers. Shortly after Nicaragua’s first democratic elections in 1990, concerns emerged about the separation of powers, a core element of the country’s constitutional structure. In 2000, elite power-sharing agreements between then-President Arnoldo Alemán and FSLN leader Daniel Ortega resulted in shared control over the judicial and electoral branches, regardless of the presidency’s occupant. These agreements, commonly known as *El Pacto*, set the stage for the decline of democracy following Ortega’s ascent to power in 2007. Once in office, Ortega and his wife systematically dismantled institutional checks and balances. Having already secured influence over the judiciary and electoral systems through earlier power-sharing deals, they removed opposition representation from the National Assembly in 2016, reducing the legislative body to a mere formality. The November 2021 elections – characterized by a complete lack of competition and a heightened police state – ensured that dissenting voices would have no presence, even symbolically, in the political system. Any legislator not openly aligned with the FSLN is carefully selected by the regime and consistently approves presidential decisions without question.

Separation of powers



Today, no state institution operates with true independence; all are firmly under the ruling family's control. In its 2023 annual report, the IACHR noted that the collapse of the principle of separation of powers was a key step in transforming the state into a repressive apparatus that enables human rights violations. The absence of checks and balances is compounded by informal institutional operations, with most government offices displaying Sandinista Front emblems or overt propaganda promoting the ruling couple. In 2024, the National Assembly approved provisions of a constitutional reform that explicitly subordinate the judicial and legislative branches to the presidency in many respects, formally undermining the separation of powers in legal terms.

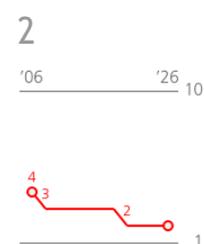
The Group of Human Rights Experts on Nicaragua, which operates under a mandate from the U.N. Human Rights Council, stated in September 2024 that the country fails to meet even minimal standards of judicial independence. These international monitors also found that dozens of judicial personnel reported directly to the presidency. The IACHR, in its 2023 report, noted that this lack of independence facilitates the prosecution and sentencing of dissidents in ways that contradict democratic principles.

Despite repeated calls for judicial and electoral reforms, the government has ignored these calls and used the judiciary as a primary tool of repression. It continues to carry out the ruling couple's directives by fabricating charges to imprison or exile critics and by preventing defendants and their families from accessing fair legal representation or humane treatment in Nicaragua's notoriously harsh prisons. In response, the United States and the European Union have sanctioned several top judges and magistrates. The Office of the Attorney General, which is also under the ruling family's control, has faced similar sanctions. While the judiciary may appear more functional in non-political cases, politicization is widespread, favoring those with ties to the ruling party. Survey data from the 2023 Americas Barometer Report show that 64% of Ortega and Murillo supporters trust the judiciary, compared with only 11% of regime critics, highlighting both institutional politicization and deep societal polarization.

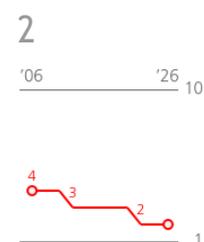
Corruption is deeply entrenched in Nicaragua's political system, persisting as a long-standing issue that has worsened over time. Officials involved in illegal activities and corruption rarely face prosecution. When the ruling couple takes action – as during the reporting period against various municipal governments and top officials in the Ministry of Family, Community, Cooperative and Associative Economy – it is carried out opaquely without acknowledging corruption and often involves extrajudicial measures if any punishment occurs at all.

Bribery, embezzlement of public funds and misuse of public office for personal gain are widespread. According to Americas Barometer survey data published in 2023, 22% of citizens reported being asked for a bribe by a public employee, the highest such rate ever recorded for Nicaragua and making the country the third-worst in the

Independent
judiciary



Prosecution of
office abuse

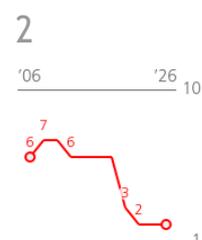


Americas. Corruption is also deeply rooted in the Ortega family, whose nepotistic rule blurs the lines between personal wealth and state resources. Accountability remains virtually nonexistent, with little hope for improvement, as the judiciary and prosecutors' offices lack the independence necessary to hold officials to account.

Although Nicaragua's constitution theoretically guarantees civil rights, these rights have been persistently ignored under the Ortega regime, with violations escalating during the 2018 protests and worsening in the years that followed. During the political crisis of 2018, most Catholic leaders sided with pro-democracy protesters against the regime. Since then, the regime has increasingly sought to diminish the Catholic Church's influence, viewing it as a political adversary. This has led to significant friction. In 2023, the government arrested 18 clergy members, adding to the detention of Bishop Rolando Álvarez, who was already in custody. Even after these figures' release, clergy arrests continued. Pope Francis drew international attention by comparing President Ortega to Hitler, further straining relations between Nicaragua and the Vatican. The government's fear of Catholic assembly activities has led to the harassment of churchgoers, particularly in parishes where priests speak – even indirectly – about political affairs. The government has also actively courted support from Protestant leaders (though these leaders have not been immune to political persecution, as evidenced by the arrest of 11 evangelical pastors in 2023 after their church, founded by Texas missionaries, was shut down), reflecting ongoing expansion of this community. International bodies such as the U.N. Office of the High Commissioner for Human Rights (UNHCHR) and Inter-American Commission on Human Rights (IACHR) have condemned the government's actions, citing violations of religious freedom and human rights.

In previous reporting periods, the government occasionally made concessions in response to international pressure. However, in the current period, it has refused to do so, instead continuing its campaign of repression by arbitrarily arresting hundreds of people and shutting down all NGOs that advocate for civil rights. The constitutional reform of November 2024, described by the U.N. High Commissioner for Human Rights as the “coup de grâce” for civil rights in Nicaragua, has further dismantled fundamental freedoms. The reform eliminates the prohibition on torture and places the military and police under even more direct control of the executive, which has consistently used these institutions to suppress dissent. Additionally, the reforms effectively codify previously extrajudicial practices such as kidnappings, enforced disappearances of political prisoners and forced exile – actions already widely used in 2023 and 2024. While the updated constitution affirms the right of citizens to move and reside within the country, it revokes their previously guaranteed freedom to “enter and leave the country freely.” Political rights can now be suspended for broadly defined offenses against “sovereignty, national self-determination, peace, and security,” terms the regime frequently exploits to justify repression. As in the past, this deprivation of fundamental freedoms has exacerbated existing challenges stemming from poverty, inequality, misogyny and racism.

Civil rights



4 | Stability of Democratic Institutions

Within the current political context, Nicaragua’s democratic institutions exist only as a formal shell, as evidenced by the sham 2021 general elections and the approval of constitutional reforms in November 2024. The country’s experiment with liberal democracy, which arguably began with the overthrow of the decades-long Somoza family dictatorship in 1979, has been supplanted by another dynastic authoritarian project. Since Ortega’s electoral victory in 2006, the FSLN – which is vertically controlled by Ortega and his inner circle – has consolidated power by taking control of Nicaragua’s democratic institutions and government bodies. Ortega and the FSLN have gradually dismantled democratic structures, transforming them into authoritarian ones through a series of key milestones. The 2014 constitutional amendment, which allowed Ortega to be re-elected indefinitely, led to his fourth term beginning in 2016. Repression escalated following the 2018 uprising, solidifying the regime into a full-fledged authoritarian entity with practices reminiscent of the Somoza era.

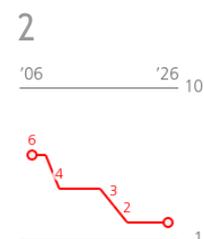
In 2021 and 2022, the regime further tightened its grip, expanding the police state both before and after the general elections. The fraudulent 2021 election underscored the erosion of democratic institutions. Meanwhile, the November 2024 constitutional reform cemented the regime’s intent to manipulate these institutions – not only to perpetuate Ortega’s rule but also to facilitate a dynastic transition by elevating Vice President Murillo to the position of “Co-President” in 2025.

Ortega and Murillo’s dominance over the National Assembly, local governments and key state institutions – such as the Supreme Court of Justice and the Supreme Electoral Tribunal – has crippled the state’s ability to administer justice, eroded transparency in elections, eliminated the independence of public administration and extended their control over all institutions. The only factor preventing Nicaragua from declining further in democratic rankings is the mere existence of these institutions on paper.

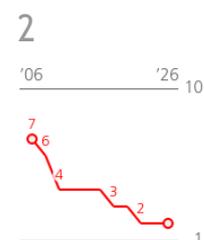
The current powerholders are committed to a project of family rule and see democratic institutions as tools to be manipulated in service of that project. During the previous reporting period, President Ortega began referring to Vice President Murillo as “co-president,” implying that the family unit itself holds greater significance than the presidency. In the current reporting period, this notion was further reinforced by the National Assembly’s approval of a constitutional reform in November 2024 that abolishes the presidency and vice presidency in favor of the “co-presidency” that Ortega and Murillo will share beginning in 2025.

The second-most-influential institution is the FSLN, which lacks internal democracy and is effectively controlled by the Ortega family. During the reporting period, Laureano Ortega-Murillo – son of the co-presidents – was appointed to the position

Performance of democratic institutions



Commitment to democratic institutions



of “special representative of the secretary-general.” This move formally positioned him as the most powerful figure in the party after his father, though his mother exerts far greater influence in practice.

Those who sought to defend democratic institutions faced relentless repression before and after the November 2021 elections. The regime worked to neutralize all societal actors who advocated free elections, human rights, institutional autonomy and the restoration of the separation of powers. This campaign primarily involved the targeted persecution and incarceration of political figures across the ideological spectrum. Additionally, the regime imprisoned numerous business and church leaders. Now anyone who calls for a return to democracy in Nicaragua faces the threat of immediate imprisonment or forced exile. Crucially, those forced into exile often have their citizenship revoked, as part of a wider effort to eliminate any opposition.

5 | Political and Social Integration

The weakness of the Nicaraguan political party system was a major factor in the consolidation of an authoritarian government under President Ortega. From its inception, opposition was not channeled through a stable set of political parties with clear and distinct platforms. Instead, politics revolved around loose coalitions of personalities and interest groups. Ortega made control of the party system a chief component of his political strategy, necessarily weakening it in the process. Through his vertical control over the Supreme Electoral Council, Ortega decided which political actors could legally participate in the political system and which could not.

During previous reporting periods, Ortega conceded limited legality to opposition actors, although never enough to allow them to compete viably in an open electoral arena. He also used this tactic to pit opposition actors against one another. Since 2016, however, authorities have largely dispensed with these formalities. The leaders of various small political groupings – such as Unión Democrática Renovadora (UNAMOS), Unidad Nacional Azul y Blanco (UNAB), Alianza Cívica (AC) and Ciudadanos por la Libertad (CxL) – that existed in Nicaragua ahead of the 2021 elections are now in exile; none of these groups maintains an organized presence inside the country. During the reporting period, authorities also dismantled Sons of Mother Earth (YATAMA), a party representing Afro-Indigenous leaders in the Caribbean Coast region.

Today there is no functioning party system. The FSLN remains the only political entity of note, but it does not function as a traditional party. It is not programmatic; its decisions and policies revolve around the interests and whims of the Ortega family rather than a defined political agenda. Ortega serves as the party’s secretary-general, with his son as his alternate. The FSLN lacks internal mechanisms for selecting candidates or making policy decisions. It also maintains a highly clientelist relationship with citizens, distributing money and state benefits in exchange for loyalty to the party.

Party system

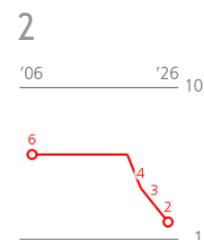


The spectrum of interest groups in Nicaragua remains severely constrained. Historically, the Catholic Church and business interests played significant roles in national politics due to the weakness of the party system, the absence or weakness of democratic institutions, and heavy restrictions on civil society activity. These groups once engaged in a co-governing arrangement with the regime, serving as key intermediaries between the state and society. However, following the 2018 anti-government protests, both the church and business elites – particularly the Superior Council of Private Enterprise (COSEP) – shifted to an oppositional stance against the government. A major development during the reporting period was the near-total elimination of these two critical interest groups. In March 2023, the Ortega regime escalated its crackdown by canceling the juridical personhood of COSEP, once a cornerstone of the political landscape, and that of 18 other chambers of commerce. Simultaneously, the Catholic Church has faced relentless persecution. Although the government released and exiled Bishop Rolando Álvarez in January 2024, this did not signal a shift toward renewed autonomy for the church. Instead, the regime has intensified its repression of religious institutions, further marginalizing them from the political sphere. With political parties rendered ineffective, civil society unable to organize due to widespread repression and non-governmental organizations eradicated, the absence of the Catholic Church and the business sector leaves Nicaragua without any viable domestic interlocutors between the state and society. In this environment, both the government and civil society are increasingly looking to foreign actors to mediate major disputes and provide potential solutions to the ongoing political impasse.

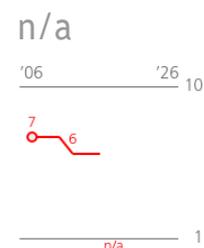
Conducting polls or surveys in Nicaragua – particularly on sensitive political topics – is extremely challenging under the authoritarian regime. While the Latinobarómetro previously measured trust in political institutions, the survey was not conducted in Nicaragua in 2023 or 2024 because of a lack of secure conditions for pollsters. Still, in a 2023 survey by the Americas Barometer/Latin American Public Opinion Project (LAPOP), 59% of Nicaraguans stated that democracy was the best form of government. Despite this preference, confidence in the political system has steadily declined. In 2008, 52% of Nicaraguans said they believed elections could bring about change; by 2021, that figure had dropped to 21%. In the same year, 50% of respondents said they felt they had no way to influence the political system, a stark increase from 11% in 2008. Levels of satisfaction with democracy have continued to decline since 2016, paralleling growing fears about political expression.

Although President Ortega and Vice President Murillo have solidified their hold on power through constitutional reforms, they have maintained a facade of democratic governance through regular, albeit fraudulent, elections. Notably, exiled opposition leaders have not proposed replacing Ortega’s regime with another dictatorship, nor have they supported authoritarianism as a future alternative. Despite internal divisions, the exiled opposition agrees that resolving the current crisis must begin with a restoration of electoral integrity. The hundreds of Nicaraguans who risked

Interest groups



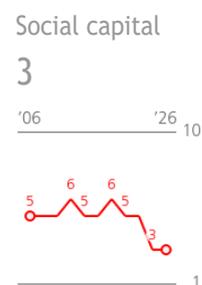
Approval of democracy



imprisonment, endured inhumane conditions, and were subsequently exiled and stripped of their citizenship serve as a testament to enduring pro-democracy sentiment.

During the previous reporting period, intensified repression eroded Nicaragua’s strong tradition of trust, cooperation and solidarity at the local level. Civil society organizations such as women’s associations and trade unions – once vital to community life – have faced mounting restrictions, with many groups now deemed illegal by the government. In an effort to consolidate its control, the government has criminalized a broad spectrum of social institutions, from book clubs to private schools, further undermining social cohesion. In 2021, the population’s level of trust in neighbors and communities reached its lowest point since 2004, with only 51% of Nicaraguans expressing confidence in their communities, according to the Americas Barometer survey.

Since then, the situation has worsened. Amnesty International reports that authorities continue to consolidate a pervasive “climate of fear” – a legacy of the brutal repression of the 2018 protests, the mass arrests and exile of dissidents between 2021 and 2022, and the ongoing crackdown during the current reporting period. In its December 2024 report, Amnesty International stated, “The repression in Nicaragua means that no one is safe.” Freedom House’s 2024 Freedom in the World report similarly cited a “general climate of fear and terror” across the country. In the latest Americas Barometer survey, 53% of Nicaraguans reported feeling unsafe in their neighborhoods despite relatively low rates of violent crime, suggesting a further deterioration in social trust. The fraying of the social fabric is also evident in the growing number of Nicaraguans planning to emigrate within the next year.



II. Economic Transformation

6 | Level of Socioeconomic Development

Nicaragua remains one of the poorest countries in the Western Hemisphere. Despite steady improvements in its Human Development Index (HDI) performance, progress remains insufficient compared with other countries. Nicaragua’s HDI score rose from 0.652 in 2020 to 0.669 in 2022, yet its 2022 global rank (130th) was unchanged from 2016. Gender inequality has shown gradual progress, as the country’s score on the Gender Inequality Index (GII) fell to 0.397 in 2022 from 0.405 in 2020.

Poverty and inequality rates remain difficult to assess due to persistent government opacity. Independent NGOs such as Fundación Internacional Para el Desafío Económico Global (FIDEG), which provided alternative data, have been shut down.



The government’s pressure on the organization included a 2021 raid for publishing statistics that contradicted official narratives. Government data cited by the World Bank indicate that the poverty rate – with poverty defined as living on less than \$3.65 per day – declined to 12.5% in 2023 from 13.1% in 2022. However, based on its 2019 data, FIDEG estimated that poverty rates were as high as 44%. Conditions of significant income inequality persist. In 2014, the top 20% of earners accounted for 55% of income, while the Gini index value stood at 46.2. No more recent updates are available.

Emigration underscores ongoing socioeconomic challenges. In 2024, 94,000 Nicaraguans emigrated. Although the figure may drop slightly in 2025, the emigration rate remains high. According to LAPOP, 52% of Nicaraguans want to leave, up from 20% in 2019. This is the third-highest such rate in the Americas, following Haiti and Jamaica. Notably, 23% are highly prepared to migrate, indicating this is more than mere desire. The number of annual departures has tripled since 2018, and the diaspora has grown from 650,000 in 2016 to 1.5 million, with most settling in the U.S., Costa Rica or Spain. Drivers of this migration include economic opportunities abroad, such as those offered by the Biden administration’s 2023 “humanitarian parole” program for Nicaraguan migrants in the U.S., as well as political repression and limited social mobility. Many have lost hope for economic improvement under the country’s repressive political climate.

Economic indicators		2021	2022	2023	2024
GDP	\$ M	14209.0	15634.6	17805.8	19694.0
GDP growth	%	10.5	3.6	4.4	3.6
Inflation (CPI)	%	4.9	10.5	8.4	4.6
Unemployment	%	6.1	5.0	4.7	4.6
Foreign direct investment	% of GDP	7.4	8.2	6.3	6.9
Export growth	%	18.1	8.6	1.3	-4.9
Import growth	%	21.7	5.2	9.1	12.0
Current account balance	\$ M	-391.2	-459.6	1465.4	817.6
Public debt	% of GDP	48.4	45.9	42.3	39.1
External debt	\$ M	14582.9	14897.9	15163.4	-
Total debt service	\$ M	1840.2	2443.6	2347.8	-

Economic indicators		2021	2022	2023	2024
Net lending/borrowing	% of GDP	-0.7	1.3	2.7	-
Tax revenue	% of GDP	18.8	19.9	19.9	-
Government consumption	% of GDP	15.5	13.9	12.9	12.3
Public education spending	% of GDP	4.1	3.8	2.9	-
Public health spending	% of GDP	6.1	5.2	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	0.5	0.5	0.5	-

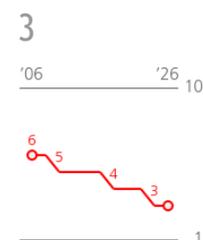
Sources (as of December 2025): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Despite its leftist rhetoric, the FSLN government has maintained a market- and export-driven economic model, with the private sector central to its strategy. However, Nicaragua’s economy faces mounting challenges worsened by political turmoil. Weak judicial independence, a fragile regulatory framework and persistent corruption hinder the business climate. The authoritarian system favors those with ties to the ruling family while creating obstacles for outsiders. Ortega’s consolidation of power offers little hope for improvement. Informality remains widespread. According to the Economic Commission for Latin America and the Caribbean (ECLAC), the rate of informality in the economy was 76% in 2023.

The government promotes foreign investment, claiming equal treatment for domestic and international investors through a regulatory framework intended to promote transparency. However, obstacles persist. Business registration must be completed in person, and while the process is supposed to take only two weeks, foreign-owned companies face delays of up to 42 days. Regulatory enforcement is inconsistent and biased, favoring regime loyalists. The Ortega-Murillo government controls key sectors, granting state-run enterprises tax breaks and other advantages unavailable to private competitors. Investors frequently report biased regulators and erratic enforcement, stifling competition. Taken together, these conditions undermine legal certainty for both domestic and foreign investors.

Market organization



The 2020 Foreign Agents Law, which initially targeted non-governmental organizations, also affects foreign businesses, forcing them to register or abandon social responsibility initiatives. Authorities seize assets and detain individuals without due process until financial settlements are reached. Customs inspections and fines disproportionately target foreign importers.

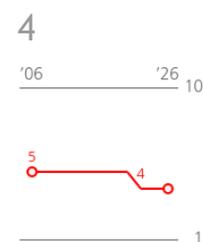
During the reporting period, the government introduced rhetoric challenging the market structure. In 2023, Laureano Ortega-Murillo, widely seen as Rosario Murillo's successor, endorsed aligning with Russia, China, India and Iran, predicting the end of dollar dominance. In late 2024, the central bank announced plans to de-dollarize the economy, mandating that all transactions be in córdobas starting January 1, 2025. Despite this rhetoric, little has changed. According to World Bank and IMF data, FDI inflows declined in 2022 – 2023 but remained comparable to levels seen previous to the 2018 crisis.

Efforts to promote competition and curb monopolies through legal frameworks established over the past two decades have been largely ineffective. Law 601 for the Promotion of Competition, enacted in 2007, laid the foundation for an anti-monopoly policy by creating the National Institute for the Promotion of Competition (Procompetencia). As a member of the International Competition Network, Procompetencia was tasked with fostering free competition and regulating anti-competitive practices. However, while the institution continues to educate private businesses about regulatory guidelines, it has failed to exert meaningful influence to curb the dominance of oligopolies and monopolies in key industries.

In 2024, the Nicaraguan presidency mandated the creation of a new regulatory body – the Procuraduría Nacional para la Defensa de la Libre Competencia y de Resolución Alternativa de Conflictos – under which Procompetencia now operates. Despite this institutional restructuring, competition policy and monopoly-related issues remain peripheral in public discourse and receive little attention from state-controlled media or opposition circles. The lack of debate underscores the reduced priority given to market competition in the current political and economic landscape.

State intervention, particularly the expansion of economic interests tied to the Ortega family, continues to undermine free competition. Business sector representatives have expressed concerns about arbitrary and excessive taxes imposed on firms perceived to be aligned with opponents of the regime. This pattern of fiscal repression contradicts the pro-competition policies previously introduced. In addition, state-controlled enterprises are occasionally granted legislative monopolies, further entrenching the government's influence over key economic sectors.

Competition policy



According to the WTO's latest Trade Policy Review, Nicaragua's growth over the past decade has been largely driven by foreign trade, with an average applied most-favored-nation tariff of about 5.6% as of 2023. Textiles and textile products account for an increasingly significant share of exports. The report also highlights Nicaragua's minimal reliance on non-tariff trade barriers. Despite the Sandinista Front's occasional anti-capitalist rhetoric, the country's economy remains open, with trade policies shaped primarily by commitments established by previous governments under international agreements such as the Central American Common Market and the Central America-Dominican Republic Free Trade Agreement (CAFTA-DR). The key obstacle to further trade liberalization is not ideological but organizational. Trade strategies, as in other policy areas, are dictated by the centralized and informal structure of the Ortega regime, in which members of the ruling family's inner circle directly oversee efforts to attract FDI.

In November 2023, the Nicaraguan National Assembly ratified a free trade agreement with the People's Republic of China, which took effect in January 2024. Under the agreement, 91.4% of Nicaragua's exports received preferential tariff rates. Despite this new trade relationship, the United States remains Nicaragua's dominant export destination by a significant margin, with exports to China accounting for less than 2% of total exports in the first three quarters of 2024, according to the central bank. Moreover, imports from China far exceeded exports by volume.

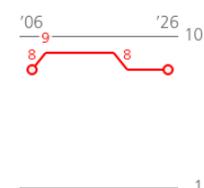
A major constraint on Nicaragua's trade prospects is the possible imposition of U.S. sanctions. In the past, some within the U.S. policymaking community have advocated broader economic sanctions against the Ortega government. These measures could include Nicaragua's removal from CAFTA-DR or expansion of the Nicaragua Investment Conditionality Act (NICA), which restricts the Nicaraguan government's access to international financing. Some officials in the second Donald Trump administration have floated restricting trade with Nicaragua, adding further uncertainty to the country's trade landscape.

According to a September 2023 IMF report, Nicaragua's banking system remains well-capitalized and liquid. Net domestic assets have surpassed pre-crisis levels in córdobas (NIO), while private sector lending has steadily grown following the 2018 – 2019 crisis. The IMF noted that the ratio of non-performing loans (NPLs) to total loans had fallen to 1.2% by September 2023, the lowest such rate since 2017, signaling improved stability and risk management within the sector.

Despite these gains, financial inclusion remains a challenge. The share of Nicaraguans with bank accounts is lower than is true of regional peers, and banks have continued to reduce the number of branches since 2018, limiting rural access to financial services. The banking sector is highly concentrated, with Banpro, LAFISE, BAC and Fichosa controlling more than three-quarters of the market. The World Bank reported that the bank capital-to-assets ratio was 7.9% in 2022, marking the third consecutive annual decline.

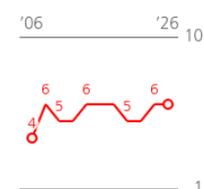
Liberalization of foreign trade

8



Banking system

6



In December 2024, the government approved the Law on the Administration of the Monetary and Financial System. The law grants broad discretion over banking secrecy and private banks. It restructures the central bank and the Superintendency of Banks (SIBOIF), placing both under a single governing board led by Ovidio Reyes. A key provision, the “Obligation to Provide Information,” gives authorities unrestricted access to the financial data of individuals and businesses. This data must be provided to the central bank, the Superintendency or their designees without clear limits, raising concerns about banking secrecy and risks to financial confidentiality. Additionally, working with the central bank, SIBOIF has pressured commercial banks to defy international financial frameworks and continue dealing with regime officials sanctioned by the United States and other governments.

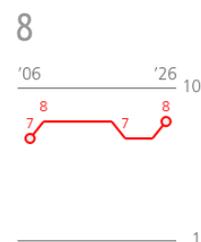
8 | Monetary and fiscal stability

Even as it has behaved recklessly in other areas, the Ortega government has prioritized monetary stability, which has improved over the past two years compared with the previous reporting period. In its 2024 report, an IMF mission commended the central bank for maintaining a moderately tight monetary policy. Inflation, which peaked at a rate of 10.5% in 2022, declined to 8.4% in 2023, according to the most recent data available as of the time of writing. However, the inflation rate remained higher than in any year between 2013 and 2021, primarily due to external factors such as rising international prices for fuel, food and agricultural inputs. The exchange rate has remained relatively stable. In 2022, the World Bank reported a real effective exchange rate of 97.0, compared with 93.0 in 2021 and 96.0 in both 2020 and 2019. By 2023, it had risen to 98.7, up from 97.1 in 2022 and 93.0 the previous year.

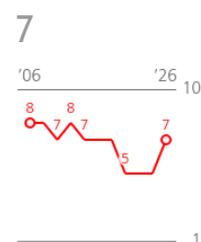
Throughout the country’s political crisis, the central bank has maintained a relatively strong reputation for professionalism and autonomy. However, during the reporting period, presidential actions have further threatened its independence. Ovidio Reyes, the current central bank president, now effectively oversees not only the central bank but also the Treasury and the Superintendency of Banks and Other Financial Institutions. Although recognized as a competent technocrat, he is also known for his unwavering loyalty to President Ortega and Vice President Murillo. The authoritarian nature of the regime raises concerns about the transparency and reliability of central bank data, which remains susceptible to political manipulation.

Compared with other nominally left-wing governments in Latin America, the Sandinista Front regime has pursued relatively prudent macroeconomic strategies. The government’s fiscal and debt policies generally promote macroeconomic stability but remain vulnerable because of the absence of institutional safeguards and the potential for abrupt policy shifts. By implementing sound fiscal measures, Ortega’s authoritarian project originally garnered support from both the local business elite and international lending institutions. However, the violent repression

Monetary stability



Fiscal stability



of protests in 2018 and the subsequent consolidation of autocracy eroded this support. Increased spending on security to sustain a police state – as well as ongoing spending to shore up its government’s political base – has led to concerns about fiscal sustainability.

However, the state’s fiscal position improved during the reporting period. In its 2024 report, the International Monetary Fund (IMF) assessed Nicaragua’s fiscal policy as “appropriately tight and countercyclical.” Notably, in 2023, the government achieved a current account surplus for the first time since 2020. Public debt as a percentage of GDP declined for the third consecutive year, reaching 51.7% of GDP in 2024, although this figure remains significantly higher than a decade ago, when it stood at 28.8%. Total debt-service obligations continue to rise, according to the World Bank. For the first time in a decade, Nicaragua recorded a positive net lending/borrowing ratio, reflecting improved fiscal management. Government consumption has steadily declined, reaching a historic low of 12.2% of GDP, a significant reduction from 15.4% in 2021. This decline has been mirrored by a reduction in public sector employment, which had been increasing until 2021 but began to decline in 2022.

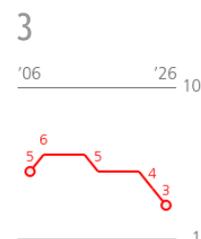
A major development in fiscal stability was the substantial increase in remittance inflows during the reporting period. This increase significantly contributed to the current account balance and reserve accumulation. Total reserves increased from \$4.05 billion in 2021 to \$5.45 billion in 2023. According to ECLAC, public debt dropped from 60.6% of GDP in 2022 to 56.6% in 2023 and 51.7% in 2024; its 2024 report found that Nicaragua’s public debt remains at sustainable levels in the long term.

9 | Private Property

Weak property rights and persistent land tenure conflicts have long characterized Nicaragua’s history. However, the transition to democracy and market economics in the 1990s and early 2000s brought notable improvements, a trend that largely continued under President Ortega’s authoritarian regime. Despite ongoing disputes and weak enforcement – largely due to a corrupt and inefficient judicial system influenced by extrajudicial factors – the situation remained relatively stable until the political crisis of 2018 – 2019. Amid the repression of anti-government protests and civil society, FSLN supporters illegally seized land from opposition-aligned individuals, with both tacit and explicit backing from authorities. The government also confiscated properties belonging to critical media outlets and civil society organizations (CSOs), a tactic that grew more frequent and prominent during the reporting period. Before the government crackdown silenced dissent, business leaders warned that these arbitrary seizures would deter private investment.

In an otherwise positive assessment of Nicaragua’s economy, the IMF’s 2024 report noted that recent actions undermining property rights had adversely affected the investment climate, raising concerns about long-term economic stability. In August

Property rights



2023, for example, the government confiscated the Jesuit-run Universidad Centroamericana (the country's most prestigious university) on allegations that it participated in an international plot to destabilize the regime. All its assets, including property and bank accounts, were seized. Numerous other institutions and individuals deemed subversive were also targeted for expropriation. These actions were further institutionalized in 2024 with passage of a new law that formally incorporated the expropriation of the property of so-called traitors into the constitutional framework.

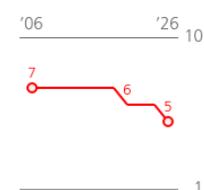
In March 2023, the Ortega government ordered the closure of COSEP, Nicaragua's principal business chamber representing major enterprises. The shutdown also affected 18 other private sector organizations, including associations for fishing, small financial enterprises, coffee producers, agriculture, mining, industry and tourism. The former COSEP president and vice president were among the 222 political prisoners who were released, deported and denaturalized at the beginning of the reporting period. This move marked the definitive end of the government's cooperative relationship with the country's most influential business leaders, which had persisted from Ortega's return to power in 2007 until COSEP adopted an opposition stance during the 2018 political crisis. Further neutralizing private sector leaders as an organized actor, the Interior Ministry in August 2024 mandated the immediate closure of the remaining binational chambers of commerce, including the American Chamber of Commerce in Nicaragua and several others.

The elimination of these organizations has undoubtedly worsened the investment climate and has underscored the government's hostility toward the organized private sector as an interest group. Moreover, business owners find that legal protections for their enterprises are more tenuous than before. Neither privatization of state assets nor expropriation of private assets can be expected to proceed according to market principles; instead, these processes are entirely politicized. However, this does not indicate a shift away from the principle of private enterprise itself. The government continues to view the private sector as a critical driver of economic growth. To fill the void left by COSEP, the government has promoted the Asociación en Pro del Desarrollo y Sostenibilidad de Nicaragua as an alternative, though with limited success.

Despite the increasing state control over certain sectors and the persistent threat of retaliation against businesses that express political dissent, the Ortega administration has not fundamentally reconsidered its economic model. Moreover, Ortega family members' growing prominence as key business players has reinforced the existing market-oriented economic framework. An investigation by Confidential in early 2022 highlighted the family's significant influence in the construction, advertising, communications and energy sectors. Neither local business leaders nor international financial observers perceive President Ortega's occasional references to socialism as a genuine policy direction.

Private enterprise

5



10 | Welfare Regime

Social assistance programs, including housing aid, microcredit provision and direct food transfers, remain constrained by the clientelist and patronage-based nature of the welfare system. Access remains largely restricted to individuals with ties to the FSLN, and many Nicaraguans, particularly those in informal employment, still lack access to state programs. Thus, an increase in public expenditure does not necessarily translate into more inclusive and effective social safety nets.

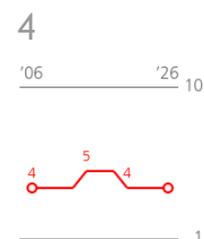
While maintaining the market-focused strategy of previous regimes, the ruling FSLN has continued to expand social programs, though with certain adjustments. Public health spending has steadily increased, reaching 6.1% of GDP in 2021, compared with 5.4% in 2020 and 5.3% in 2019. Despite this growth, the government cut some social programs during the political crisis and the pandemic to prioritize funding for security forces. Reductions in the country’s social security system helped spark the 2018 anti-government protests. Public spending as a percentage of GDP remains low compared with the Latin American average (though comparable to the rest of Central America). According to ECLAC, the Nicaragua Social Security Institute (INSS) reported 787,000 active affiliates in November 2022, an increase of 17,000 from the previous year. However, this figure remains well below the late 2017 total of 914,000 affiliates. Social security system solvency remains an ongoing fiscal challenge.

Life expectancy in Nicaragua has fluctuated in recent years. In 2022, life expectancy at birth was 74.6 years, up from 73.8 years in 2021 but still below the pre-pandemic 2019 level of 74.1 years. The decline observed in 2020, when life expectancy fell to 71.8 years, likely reflects the impact of the COVID-19 pandemic. Nevertheless, Nicaragua’s life expectancy remains close to the Latin American average.

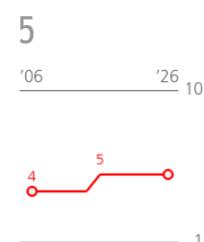
Nicaragua scores highly in the World Economic Forum’s Global Gender Gap Index, ranking sixth in the world overall. Although it ranks 100th in the category of economic participation and opportunity, it placed 32nd in that of educational attainment, 34th in health and survival and an impressive fifth in political empowerment, making it the best-performing country in Latin America in this area. A key factor in its high rankings is that nearly half of all legislators in the National Assembly are women, and women hold roughly half of mayoral, vice-mayoral and municipal council positions. These achievements are in large part attributable to the 2008 Law on Equality of Rights and Opportunities (Law 648) and the 2012 Law 50-50 for Parity, which amended the Municipal Code to ensure gender equality in local elections. Notably, a woman – co-president Rosario Murillo – is the most visible figure in the country’s authoritarian government and is poised to succeed Daniel Ortega as sole leader in coming years.

However, the positive rankings in the Global Gender Gap Index are misleading for the following reasons. First, as noted elsewhere in this report, legislative and mayoral candidates are appointed rather than elected, with power concentrated in the

Social safety nets



Equal opportunity



presidency. Second, the large number of women in government has not led to progressive policies or measures to combat gender-based violence, a widespread issue. The government has also ruthlessly suppressed women's movements, which have historically clashed with authoritarian regimes, including the current one. A major flashpoint has been the 2007 prohibition and criminalization of abortion.

There is significant disparity in the labor market between men and women, especially in rural areas. According to the World Bank, the labor force participation rate among women reached 38.7% in 2023, up slightly from 38.6% in 2022 and 38.4% in 2021. Data show no major gender differences in the area of literacy or primary school enrollment, and women are slightly more likely than men to enroll in secondary or tertiary education. Employment and educational opportunities are consistently denied to Nicaraguans who do not formally align with the ruling Sandinista Front. Additionally, Nicaraguans face discrimination and barriers based on sexual orientation or membership in minority racial and ethnic groups.

11 | Economic Performance

Although economic performance has become increasingly difficult to measure following the government's closure of key national think tanks, recent data suggest that Nicaragua's economy continues to recover from the overlapping shocks of the 2018 political crisis and the COVID-19 pandemic. According to the IMF, real GDP grew by 4.5% in 2023 and in the first half of 2024. Although this is significantly lower than the 10.3% recorded in 2021, that earlier figure largely reflected a statistical rebound after three consecutive years of contraction. The economy has since maintained steady growth, with the IMF projecting that real GDP growth will stabilize at about 3.5% in the medium term. ECLAC likewise commented favorably on Nicaragua's macroeconomic performance in 2023.

Economic growth is also evident on a per capita basis. Nicaragua reached a historic high per capita GDP of \$8,044 (on a purchasing power parity basis) in 2023, alongside growth of 3.1% that year and 2.3% in 2022. Additionally, the unemployment rate fell from a peak of 6.2% in 2020 to 4.8% in 2024, the lowest rate since 2017. According to ECLAC, formal workers' real wages rose by 2.7% in 2023, a marked improvement from the previous year, when they fell 3.6%.

While FDI declined as a percentage of GDP during the review period – dropping from 8.6% in 2021 to 6.9% in 2023 – this shortfall was offset by a surge in remittances. The IMF reported that the volume of remittances, primarily from the U.S., doubled between 2021 and 2023, reaching approximately 26.1% of GDP by the end of 2023. This figure was estimated to have risen to 27.2% of GDP in 2024, with expectations of similar levels going forward. Strong remittance flows are a key driver of Nicaragua's positive economic outlook and a stabilizing factor for the country's fiscal and monetary policies. In 2024, Fitch Ratings upgraded Nicaragua's credit

Output strength

6



rating from B- to B and cited a stable outlook. Aiming to enhance agricultural productivity, the government announced a Plan for Production, Consumption, and Commerce in May 2024.

However, risks remain. Although the government has demonstrated resilience to international sanctions, prior measures have primarily targeted individual officials. The Donald Trump administration in the United States may consider broader sanctions against Nicaragua or taxes on remittances to Central American countries; either measure would significantly affect Nicaragua’s economic performance.

12 | Sustainability

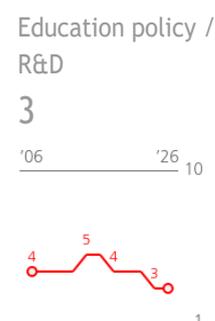
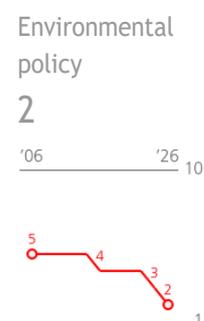
Environmental policy remains a low priority for the government. This neglect is evident in a 55% cut in the budget for the Ministry of the Environment and Natural Resources (MARENA) over the past seven years, according to an investigation by Confidencial. In 2024, the National Assembly approved a constitutional reform that removed the requirement that the state make any contracts related to the exploitation of natural resources public and transparent, further diminishing oversight and accountability in environmental governance.

The government continues its crackdown on environmental NGOs, having previously closed major organizations such as the Fundación del Río and the Centro Alexander von Humboldt para la Promoción del Desarrollo del Territorio y la Gestión del Ambiente. Citizen-led environmental initiatives remain discouraged, if not outright prohibited, and government agencies responsible for environmental protection, including MARENA, the National Forestry Institute (INAFOR) and the National Water Authority (ANA), remain ineffective, plagued by the same structural deficiencies that affect other state institutions.

According to the UNDP, Nicaragua remains highly vulnerable to climate change due to an increasing incidence of floods, landslides, droughts, tides and hurricanes. In recent years, extreme weather events have disproportionately affected ethnic minorities in the Caribbean Coast region. Despite these challenges, national budget allocations to environmental agencies remain less than 1% of total state spending.

Nicaragua’s score on the U.N. Education Index has shown marginal improvement in recent years, remaining stable at 0.593 during 2020 – 2022, up from 0.581 in 2019. Free, compulsory public education remains a core component of the education system. However, public expenditure on education as a percentage of GDP declined to 3.8% in 2022, compared with 4.1% in 2021 and 4.6% in 2020, according to the World Bank.

Persistent challenges affect the education sector, including a high number of children out of school and low completion rates at the primary and secondary levels. These issues have become increasingly difficult to assess and address because of the closure



of civil society organizations and think tanks that previously monitored education policy. Illiteracy remains a significant problem, with the most recent World Bank data, from 2015, indicating an overall literacy rate of 82.6%. Despite government efforts, comprehensive and regularly updated data on educational attainment and literacy remain sparse, further complicating policy evaluation and development.

Nicaragua continues to allocate minimal resources to R&D, with the most recent World Bank figures reporting a national expenditure of just 0.1% of GDP in this area. The current authorities have displayed outright hostility toward researchers and their institutions, as well as toward the general culture of free inquiry required for independent scholarship. In August 2023, the Latin American Studies Association condemned the Nicaraguan government's confiscation of the Universidad Centroamericana on unfounded charges that the Jesuit-run university had served as a center for "terrorism" from which criminal activities and coup plots were launched. Following the confiscation, numerous students, staff and faculty were detained or had their bank accounts frozen. Illustrating its views on education and research, the Nicaraguan government renamed the university's Institute for the History of Nicaragua and Central America the Institute of Heroes and Martyrs. Later that year, the National Assembly reformed the country's Law on Universities to retroactively legalize the existing situation in which the presidency exerts direct control over all higher education institutions, public or private.

Governance

I. Level of Difficulty

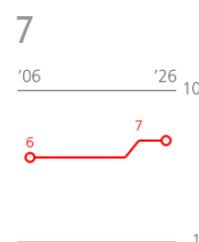
Nicaragua faces many deep-rooted structural challenges common to Central American countries. Poverty and extreme poverty rates remain high by Western Hemisphere standards. Access to basic resources and services is highly unequal, and the ruling Sandinista Front's spending on social programs is driven by political and clientelist concerns. Traditional patterns of inequality have not changed significantly in recent decades.

While infrastructure development, particularly in the road network, has progressed, it has not kept pace with population growth or effectively connected the historically marginalized Atlantic Coast regions to the capital, Managua, or to the more densely populated Pacific regions. In addition, frequent natural disasters such as hurricanes continue to hinder growth and governance, with their impacts expected to intensify as climate change exacerbates extreme weather.

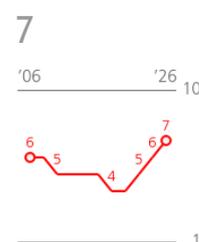
The ongoing political conflict reduces the likelihood of overcoming these structural challenges in the near future. On the one hand, massive emigration driven by political instability has resulted in substantial remittance inflows that have bolstered the economy. On the other hand, the widespread desire to emigrate underscores the persistent structural issues that are driving people to seek opportunities elsewhere.

Civic engagement in Nicaragua has been threatened since the onset of the 2018 political crisis. During the review period, conditions worsened precipitously. Civic engagement reached historic lows, and levels of social trust also declined. According to Confidential, by 2024, the government had eliminated more than 70% of the non-profit institutions that existed in Nicaragua in 2017. While previous government efforts primarily targeted NGOs with political affiliations, the current crackdown has expanded to encompass all spheres of public life. Evangelical and Catholic organizations, social groups, equestrian associations, business organizations, educational and medical institutions, Indigenous organizations, sports clubs, veterans' associations, legal aid groups, and animal welfare organizations have all been affected. The 2023 Inter-American Commission on Human Rights (IACHR) report asserted that conditions in Nicaragua do not allow civil society to participate freely and safely in social, political or religious life. By the organization's count, the government has shut down more than 5,000 civil society organizations since 2018, with 1,600 closures occurring in 2024 alone. Many of these institutions, upon losing

Structural
constraints



Civil society
traditions

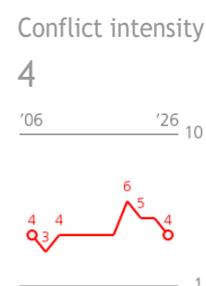


their legal status, faced asset confiscation by the state. In addition to the mass closures of NGOs, the National Assembly passed a law in August 2024 requiring that all civil society projects and programs be developed in collaboration with state institutions and receive prior approval from the Ministry of the Interior or the Ministry of Foreign Affairs. The IACHR interpreted this law as further evidence of the government’s “repressive policy” aimed at eradicating civic and democratic spaces in Nicaragua. These developments undermine the expansion of civil society activity that took place during the Sandinista Revolution of the 1980s and the transition to electoral democracy in the 1990s. They also mark a hostile attitude toward civil society unprecedented in modern Nicaraguan history, even in comparison to the Somoza dictatorship of the 20th century.

After two decades in which democratic institutions and processes allowed politics to unfold relatively peacefully, Nicaraguan politics has become increasingly confrontational in recent years. The 2018 crackdown on massive pro-democracy protests marked the most severe peacetime massacre in Nicaraguan history. This repression has exacerbated the traditional polarization between Sandinista and anti-Sandinista factions, but has also created new divisions between those who support the regime and those who seek regime change, regardless of their historical political affiliations.

The likelihood of violence has diminished further because the government has effectively prohibited any form of street mobilization and continued to exile dissidents (and even their relatives) during the review period. Pervasive fear of political repression has created an environment in which people are afraid to speak openly about politics. As a result, the state has increasingly few Nicaraguans left to repress.

Polarization continues to escalate despite the absence of visible conflict. The decision to exile dissidents, as well as their family members and known associates, ensures that the conflict will remain intense over the long term. Vice President Murillo – who officially began holding the title of co-president shortly after the reporting period ended – has further fueled these divisions with persistent hate speech directed against exiled dissidents and members of civil society. These dynamics ensure that regime opponents, now concentrated in the diaspora, will adopt uncompromising positions toward followers and members of the ruling FSLN in a hypothetical future political transition. The intensified assault on Catholic Church institutions has further deepened divisions between and within communities. Meanwhile, latent conflict on the Caribbean coast continues unabated, as long-standing grievances and disputes over land and resources persist. The government’s focus on centralizing power and silencing dissent has not addressed underlying tensions in this region, leaving them to fester beneath the surface.



II. Governance Performance

14 | Steering Capability

The current government prioritizes the ruling family’s short-term grip on power and the long-term concentration of authority within the FSLN. During the review period, these goals became increasingly focused on ensuring a seamless transition of power from President Ortega to his heir apparent, Vice President Murillo. This intent was underscored by a constitutional reform that formally designated Murillo as “co-president.” The extension of army chief Julio César Avilés’ tenure for another six-year term (he has held the post since 2010) breaks with the tradition of periodically renewing the military’s leadership and further signals the administration’s commitment to maintaining the status quo within the military hierarchy as part of its broader strategy to create stable conditions for what may prove to be a rocky dynastic succession. Murillo has also moved to sideline members of the Sandinista Front who remain loyal to Ortega but do not necessarily support her.

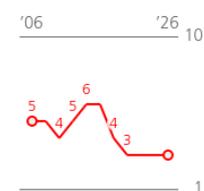
While the Sandinista Front was once characterized by leftist or socialist ideology, it now lacks discernible ideological preferences or programmatic goals beyond protecting the Ortega family’s interests. The dictatorship’s personalistic and “sultanistic” qualities make it difficult for policymakers to set strategic goals or prioritize national interests, as those interests have been conflated with those of the presidential couple and their children. The informality of the FSLN party and state institutions further erodes strategic capacity.

During the reporting period, the central bank published coherent plans to boost economic productivity and address other challenges in the coming years. Previously, in July 2021, the government introduced a four-year poverty reduction plan based on a vague model of “faith, family and community.” However, during the review period, state media and official channels provided few updates on the plan’s progress, reflecting the government’s typical approach to such strategic documents. Instead, most government efforts focused on political priorities, such as constitutional reforms targeting exiled dissidents and CSOs.

Question
Score

Prioritization

3



During the reporting period, the government took concrete steps toward achieving its primary strategic goal – sustaining the Sandinista Front’s hold on power despite domestic discontent and international isolation – while laying the groundwork for a dynastic succession to Vice President Murillo. In addition to constitutional reforms that formally established Murillo as “co-president,” the leadership silenced a major critical voice within the Sandinista sphere – former Army Chief Humberto Ortega – who died of health complications after being placed under house arrest in 2024. The government also carried out a sweeping purge of hundreds of state workers perceived as being politically unreliable or insufficiently loyal to Murillo’s leadership during the review period.

While preparations for a dynastic transition are evident, the eventual response of key stakeholders within the Sandinista Front and influential societal actors, such as the armed forces, remains uncertain. The Ortega family has continued to leverage centralized resources to divide and neutralize opposition factions. Furthermore, the government has shown remarkable resilience in the face of international criticism. However, the question of succession, along with the potential for a power struggle once Ortega departs, continues to cast a shadow over the entire political project. This uncertainty affects the character of public administration, as governance and development agendas remain subordinate to security and political imperatives that serve the interests of the ruling family. No progress reports are provided on the implementation of major projects such as the announced four-year poverty reduction plan. Despite President Ortega’s promises of new mega-infrastructure projects to be financed through deepened diplomatic ties with the People’s Republic of China, past high-profile initiatives – such as the interoceanic canal announced in 2014 – remain unfulfilled.

Regime officials consistently blame the nation’s challenges on foreign plots to destabilize the Sandinista Revolution, which the ruling couple claims to embody, and they refuse to acknowledge any government mistakes or failures after more than 15 years in power. The lack of self-criticism among top officials, coupled with the inability of low- and mid-level officials to voice concerns, continues to hamper policy implementation at all levels. Moreover, decentralization, which is critical for effective policy execution, runs counter to the regime’s deeply entrenched centralist approach.

The Ortega government has consistently shown little interest in retrospective analysis or learning from its past policies. Recently, its distrust of international experts and institutions has reached new heights. Although it continues to enjoy stable working relationships with international lending institutions such as the World Bank and the IMF, which routinely commend officials for implementing recommendations, the government dismisses advice out of hand from international human rights organizations such as the U.N. Human Rights Council and the IACHR. Moreover, while the government once sought input from private sector leaders on major

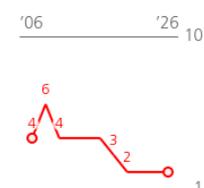
Implementation

3



Policy learning

2



economic matters, it now perceives the business sector as a hostile entity and dismisses its advice. In fact, the government not only disregards advice but also actively discourages public policy discussions. Government ministries often issue opaque, infrequent and often contradictory policy statements, and they do not operate independently, but instead wait for clear directives from the presidency. The Ortega family's firm control over institutions also stifles internal debate and analysis within the government, further diminishing the likelihood of policy learning in this context.

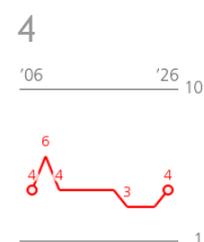
15 | Resource Efficiency

During the reporting period, government planners continued to benefit from a sustained economic recovery following the combined shocks of 2018 – 2020. According to ECLAC, Nicaragua reduced public debt as a share of GDP during the reporting period thanks to a restrictive fiscal policy. However, efficiency remains undermined by the strong politicization of institutions, where loyalty to the Ortega family's political project takes precedence over talent or experience. Alignment with the ruling family is a key precondition for civil service employment. In November 2023, the National Assembly passed a law threatening to eliminate the pension benefits of state workers who leave their posts, further emphasizing the government's prioritization of loyalty over performance-based efficiency.

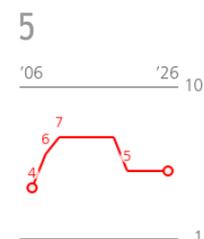
There is no meaningful parliamentary budget process, nor is there any opportunity for elected representatives or civil society to monitor spending and resource allocation. A law passed by the National Assembly in November 2024 requires that all financial assistance from international organizations or bilateral foreign aid programs be channeled through state-controlled entities, further consolidating the government's grip on economic resources and limiting transparency. Furthermore, the presidency manages the public administration in an ad hoc, unrestrained manner. No procedures or institutions exist to govern the modernization or reform of public administrative institutions, for example.

During the review period, power became even more centralized in the hands of the Ortega family and its inner circle. This shift was facilitated through constitutional reforms that formally subordinated ministries, security agencies, parliament and the judiciary to the executive branch, and most particularly to the presidency. These reforms essentially granted de jure legitimacy to an existing de facto reality. Moreover, outside the executive branch, steps were taken to centralize certain policy spheres. For example, in December 2023, the National Assembly, acting under orders from the presidency, renamed the Ministry of Governance the Ministry of the Interior, placing all security affairs under a single authority. In 2024, the government consolidated economic policymaking under central bank President Ovidio Reyes, designating him the economy czar.

Efficient use of assets



Policy coordination



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

Anti-corruption efforts in Nicaragua remain largely ineffective, according to most international organizations, including Freedom House in its 2024 report. Citizens frequently report that government workers ask them to pay bribes, and officials guilty of abuses are rarely prosecuted. When punitive action is taken, it often occurs in an opaque, ad hoc and extrajudicial manner directed by the presidency. In recent years, both the EU and the U.S. government have sanctioned several Nicaraguan officials explicitly for acts of corruption.

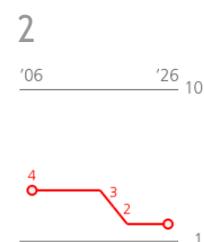
Nicaragua's 2007 Law on Access to Public Information has proved ineffective in ensuring transparency in the areas of budget management, oversight of state contracts, or enforcement of integrity among public officials. Despite laws against bribery and tax evasion that impose heavy penalties, these measures are not enforced in practice. The Supreme Electoral Council, which was theoretically designed as an independent branch of government to ensure fair elections, continues to manipulate party financing rules to benefit the ruling Sandinista Front, reward collaborationist parties and exclude opposition groups.

While these corruption issues are endemic, they are not necessarily new to the Ortega regime. However, they have been exacerbated by the ruling family's informalization of state institutions and its illicit expansion within the Nicaraguan economy. In its 2024 report, the IMF acknowledged that authorities have followed previous recommendations to improve the anti-corruption framework, but emphasized that further efforts are necessary. The emergence of a genuine anti-corruption initiative, however, remains impossible without a return to democratic governance.

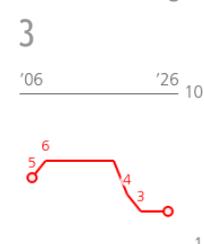
16 | Consensus-Building

The consensus on liberal democracy that emerged after the end of the devastating 1980s civil war has collapsed in recent years. The Ortega regime's definition of democracy emphasizes the need for strong, centralized leadership under the Sandinista Front and rejects the importance of a multiparty political system, free debate or changes in government through competitive elections. According to the official view, only Ortega and the FSLN can maintain economic growth and social peace. In contrast, opposition parties, civil society and their international supporters demand free elections and the restoration of civil liberties. So far, opposition leaders

Anti-corruption policy



Consensus on goals



– all of whom are now in exile – have maintained a strong rhetorical commitment to democratic norms and defined a return to free and fair elections as a national priority. They consider the Ortega family’s continued hold on power to be incompatible with the country’s stability and economic development.

These differing perspectives have divided society into factions that either support or oppose Ortega and Murillo, with only the former group possessing the ability to develop and implement strategic objectives for the country. It is difficult to gauge consensus within the political opposition, as there is virtually no organized opposition. The two primary opposition coalitions that emerged after the 2018 protests and aimed to field candidates for the 2021 presidential election – the Blue-White National Unity coalition (La Unidad Nacional Azul y Blanco, UNAB) and the Civic Alliance (Alianza Cívica, AC) – saw all their leaders jailed or exiled over the past three years, rendering them largely defunct. Two very small parties, the center-left Democratic Renewal Union (Unión Democrática Renovadora, UNAMOS), a member of the Progressive International, and the center-right Citizens Alliance for Liberty (Ciudadanos por la Libertad, CxL), a member of the Liberal International, remain active and organized abroad but had little impact on the political scene during the reporting period. Some key figures from the UNAB and AC, along with individuals associated with the two other parties, have sought to reorganize under the Grupo Monteverde umbrella in Costa Rica, which may serve as a platform for opposition consensus in the future.

Prior to the political crisis of 2018 – 2019, Nicaragua’s authoritarian government sought input from the business elite and the Catholic Church. However, these actors are now excluded from strategic planning processes. The armed forces – another key interest group – have increasingly failed to resist indications that the ruling couple seeks to bring them under its direct control and under that of the Sandinista Front. The only consensus that truly matters is the agreement between President Ortega and Vice President Murillo, the latter of whom had been designated co-president by the end of the review period.

Though political divisions persist, major political actors largely agree on maintaining a market-oriented economic framework. Even as the ruling party has targeted business leaders for imprisonment and exile and stripped organized business groups of their legal status, it has shown no sign of deviating from the basic capitalist framework. That said, the state’s presence in the market economy continues to expand. The Ortega-Murillo regime favors government-managed enterprises and industries dominated by ALBANISA, a private company originally created to manage external investment funds, primarily from Venezuela. ALBANISA, which has a substantial presence in the Nicaraguan economy and maintains close ties to the government, shows little interest in adhering to competition laws or the principles of the free market.

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

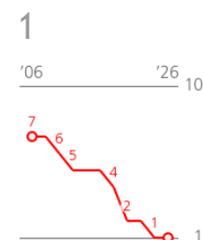
Still, this review period marked a deterioration compared with the previous review period. During the previous review period, although street-level pro-democracy activity was strictly prohibited, most of the country's most prominent pro-democracy voices remained in the country, including leading journalists and human rights defenders. However, toward the end of that period, virtually all of them were arrested on arbitrary grounds. Those who were not arrested fled into exile. At the beginning of the period assessed here, the government released, deported and – most importantly – denaturalized the 222 political prisoners it had been holding up to that point. It detained and later deported over 100 more during the reporting period.

All significant pro-democracy voices are now outside the country. Many have been stripped of their citizenship and, at least on paper, are barred from participating in Nicaraguan politics again. In addition, many have had their assets seized or are at risk of confiscation. Even in exile, many remain afraid to speak out or mobilize because – as a U.N. inquiry in March 2024 found – family members of victims of repression have themselves been victimized solely for being related to perceived government opponents. As a result, reformers are in an even weaker position to advocate for superficial democratic changes at this time.

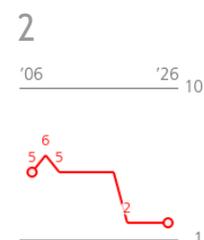
Severe polarization along pro- and anti-Sandinista lines persists, primarily because of the government's repressive actions over the past six years. Before the November 2021 elections, there were expectations that President Ortega might ease the political crisis that began in 2018 by allowing some opposition participation. Some anticipated that the authorities would maintain strict control during the elections but might later attempt to stabilize the situation by relaxing the police state once Ortega secured a new term. However, neither scenario materialized despite continued international calls for a democratic opening. Instead, the ruling FSLN seized the initiative and launched an all-out assault on the divided opposition forces. The government escalated its persecution, exile and detention of members of civil society, the media and even former allies in the private sector.

In February 2023, the Ortega family introduced a new repressive measure, stripping political prisoners of their citizenship upon release, thereby preventing them from participating in Nicaraguan politics for the foreseeable future. Although this wave of repression was less lethal than the 2018 crackdown, it had the same effect of

Anti-democratic actors



Cleavage / conflict management



prolonging Nicaragua’s political conflict. The government’s strategy appears aimed at forcing adversaries into exile or submission, creating a new societal divide between those who passively accept the dictatorship and those who, from exile, advocate resistance and international sanctions.

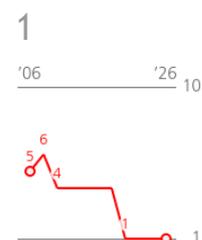
Nothing in the reporting period suggests this political conflict will subside. In a sense, however, this cleavage has been displaced abroad, as all prominent voices opposing the ruling couple are now in exile without exception. Inside Nicaragua, the key latent cleavage revolves around who should rule once President Daniel Ortega, now 79, is no longer willing or able to do so. During the reporting period, steps were taken to pave the way for Vice President Murillo – designated “co-president” shortly after the close of the review period – to assume power. This included promoting officials within the government who are loyal not just to Ortega but to Murillo herself. Notably, their son Laureano was named as deputy to the secretary-general of the FSLN, a position currently held by Daniel Ortega himself. In the summer of 2024, several prominent FSLN militants, including the son of party founder Carlos Fonseca Amador, were imprisoned on ostensible corruption charges.

While it is evident that Murillo is working to consolidate her support, it remains difficult to assess accurately the balance of power within the FSLN and Daniel Ortega’s inner circle. Murillo’s brother-in-law, Humberto Ortega (a former member of the FSLN’s National Directorate and founding chief of the army), said in an early 2024 interview that the party was held together by Daniel Ortega’s aura and figure. He suggested that Ortega’s legitimacy, rooted in his leadership during the original Sandinista Revolution, would not necessarily transfer to Murillo. Within 24 hours of the interview, Humberto Ortega was placed under de facto house arrest and died a few months later. Notably, no one within the FSLN or the military publicly objected to these actions – whether out of fear or agreement remains uncertain.

Since taking power, the Ortega administration has developed a highly antagonistic relationship with civil society. Many groups in civil society – including feminist organizations, press groups and rural farmers’ associations – were among the regime’s earliest and most vocal critics. Initially, the government excluded these groups from the political process, and it eventually escalated its pressure by targeting their members for retaliation. As of the close of the current reporting period, all such groups had lost their legal status by government fiat, and most of their prominent figures are now in exile.

The message is that only vertically integrated, FSLN-affiliated organizations such as the Citizens’ Empowerment Committees or the Sandinista Youth will be accepted in public life going forward. In late 2007, the Ortega government introduced institutions called citizen power councils (CPCs) and citizen power bureaus (GPCs). They are tasked with implementing “participatory” democratic functions, but in fact function as parastate organizations. The CPCs, organized hierarchically into community interest groups (such as education and health), are tightly controlled by Vice President

Public
consultation



Murillo. Their primary objective is to ensure loyalty and to distribute funds and resources associated with targeted social policies. The CPCs essentially create patron-client political connections and were involved in criminalizing opposition groups during the 2018 – 2019 crisis and beyond.

During the reporting period, public consultation has further diminished. Constitutional reforms have placed more state agencies under the presidency’s explicit, now constitutionally sanctioned control. The climate of fear and silence extends even to the ranks of the FSLN. Government workers risk losing their jobs – or worse – if they object to any policy, and even FSLN militants must tread carefully. This environment is not conducive to policy debate or meaningful consultation.

The current government of Nicaragua styles itself as the Government of Reconciliation and National Unity. This moniker originally referred to the FSLN’s efforts, upon Ortega’s return to power in 2007, to build ties with the business elite and the Catholic Church – its former foes during the revolution of the 1980s. Today, however, Ortega and Murillo govern divisively, presenting themselves to their followers as the true embodiment of the people, who they claim have been victims of international conspiracies aimed at undermining Nicaragua’s sovereignty. Under this narrative, opponents of the regime are cast as coup plotters, terrorists, criminals, un-Nicaraguan or even less than human.

In the past, Ortega attempted to present reconciliation efforts with the opposition, perhaps as a concession to the international community. Following the repression of protests in 2018, the government unilaterally established a Truth Commission staffed by loyalists. This body confirmed the official narrative that the Ortega government, rather than repressing pro-democracy protesters, had been the victim of a violent coup attempt orchestrated by the United States and other foreign actors. Human Rights Watch declared the Truth Commission to be a “farce.” Rather than fostering reconciliation, it deepened divisions within Nicaraguan society.

The continued persecution, imprisonment and exile of regime critics during the reporting period highlight the need to address the injustices that have occurred during Nicaragua’s ongoing political crisis. In June 2019, the Nicaraguan Congress, by a large majority, approved an amnesty law that granted acquittal to participants in protests that began in April 2018. However, the law also absolves Sandinista affiliates involved in the repression. Further, the government has stripped human rights organizations of their legal status and expelled them from the country, while denying entry to independent foreign monitors. Key organizations such as Amnesty International, Human Rights Watch, the IACHR and the U.N. Office of the High Commissioner for Human Rights (UNHCHR) have suggested that the government has perpetrated crimes against humanity.

The current environment makes accountability impossible; on the contrary, Ortega and Murillo have routinely rewarded perpetrators – including key police officials responsible for violent crackdowns and judges who have sentenced their political

Reconciliation

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opponents to prison – with public recognition, promotions and other benefits. The prevailing climate also makes it difficult for Nicaraguan society to address past atrocities, including those committed during the 20th-century Somoza dictatorship or the 1980s war between the Sandinista revolutionary government and the U.S.-backed Contra insurgency. Progress on national reconciliation would be both possible and necessary in a future democratic transition in Nicaragua, though such a political shift remains highly unlikely in the short term.

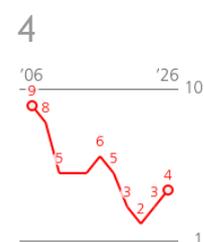
17 | International Cooperation

In the context of the political crisis that emerged in 2018, the Ortega government has had to balance two competing goals. It has sought to defy and block what it perceives as illegitimate international intrusions into Nicaraguan affairs. During the review period, Nicaraguan officials frequently lashed out at foreign governments that had recently provided substantial aid. The options for international financing available to the Ortega government have continued to dwindle in recent years. After the repression of popular protests in 2018, multilateral lenders such as the Inter-American Development Bank (IADB) and the IMF reduced their economic assistance to the country, as did several donors in Western Europe. Although Nicaragua's government received emergency assistance during the pandemic and in the aftermath of deadly hurricanes, the holding of unfree elections in November 2021 further closed off the possibility of increased aid from the international community. The underlying situation has not changed since then.

However, the government has been careful to avoid complete international isolation. Crucially, the Central American Bank for Economic Integration (CABEI) lent more than \$2 billion to Nicaragua during the 2018 – 2022 period. The IMF, World Bank and IADB have also continued to approve loans. This is significant because the United States (despite having sanctioned Ortega, Murillo and many other key officials) plays a major role in funding these institutions. Meanwhile, Nicaragua continues to leverage increasingly close relations with the governments of Russia, Iran and China to counterbalance its loss of legitimacy in the eyes of many European and American governments.

During the reporting period, remittances, which accounted for nearly a third of GDP, became a significant source of external support. These funds enabled increased public spending, particularly on infrastructure projects such as road construction. However, they also facilitated rent-seeking through the undemocratic award of state contracts financed by foreign sources. The government's reliance on foreign funds to maintain economic stability and sustain public spending highlights its strategy of leveraging international resources while maintaining tight political control.

Effective use of support



International criticism of the Ortega regime has intensified, particularly since the violent repression of protests in 2018. After the sham November 2021 elections, condemnation from the United States, Canada and Western Europe grew. The OAS voted to reject the electoral results, prompting Nicaragua to withdraw from the OAS, further isolating it in the inter-American community. Additionally, U.N. investigators have accused Nicaragua's government of committing "crimes against humanity," a claim echoed by Amnesty International and Human Rights Watch. In October 2024, Brazilian President Lula da Silva vetoed Nicaragua's entry into the BRICS group of states, while 13 other countries were admitted during the summit in Russia.

Despite widespread condemnation, Nicaragua retains legitimacy among some Central American neighbors. Although Nicaragua was blocked from key leadership roles in the Central American Integration System (SICA), these countries avoid direct conflict with Ortega. As democratic institutions weaken across the region, Nicaragua appears less isolated. During the reporting period, the regime strengthened symbolic ties with Iran and Russia and signed a free trade agreement with China, which could bring economic benefits. While these relationships offset some Western backlash, the United States remains Nicaragua's largest trading partner. Despite the Ortega regime's declining reputation, Western firms continue to engage with the Nicaraguan market, reflecting pragmatic economic interests over political concerns.

Nicaragua continues to isolate itself from regional cooperation initiatives. In November 2023, the Ortega regime officially withdrew from the OAS, which refused to recognize the 2021 presidential elections. Ortega further angered Panama by granting former Panamanian President Ricardo Martinelli, who was sentenced for corruption, political asylum in Nicaragua's embassy in Panama.

Although Latin American governments have generally refrained from participating in economic sanctions imposed by the United States, the United Kingdom and Western Europe on officials of the Ortega regime, they have increasingly isolated the FSLN government from regional diplomatic forums. However, Nicaragua's immediate neighbors in Central America have been an exception; here, the governments organized under the SICA umbrella have been more willing to maintain normal relations. This is despite repeated accusations by the IACHR and U.N. human rights monitors that crimes against humanity have been perpetrated in recent years and continue to be perpetrated.

Credibility

3



Regional cooperation

3



Strategic Outlook

Prospects for democratic transformation dimmed further during the reporting period. While hundreds of political prisoners were released during the review period, this came at the cost of exile and loss of the former prisoners' citizenship. Nearly all would-be reformers and democratization agents are now outside the country. Moreover, the reformed constitution, which was set to take effect in 2025, further institutionalizes repression against dissidents and the centralization of power in the Ortega-Murillo family. To force a democratic opening or at least engender negotiations between the government and exiled opposition figures, the new U.S. administration may pursue a more aggressive foreign policy that not only sanctions individual Nicaraguan officials but also removes the country from the Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) or otherwise punishes its economy. However, such measures would risk harming the local population, increasing Nicaraguan migration to the United States or inadvertently bolstering the FSLN government's claim to be fighting imperialist aggression.

With President Daniel Ortega and Vice President Rosario Murillo having eliminated domestic threats to the FSLN's hold on power, the main political question now is how the planned transfer of power from the former to the latter will play out. No counterweight outside the FSLN, such as civil society or interest groups, exists to oppose this dynastic transition, and so far no significant objections have emerged from within the party or security forces. The transition could proceed smoothly, but its failure could spark an internal power struggle within the authoritarian system or, in the best-case scenario, create an opportunity for dialogue with opposition groups, civil society organizations, and interest groups dismantled or exiled by Ortega and Murillo in recent years. In the meantime, international actors should support Nicaraguan civil society organizations and pro-democracy reformers in exile to ensure their survival and amplify their voices in future political transitions. For their part, democratic reformers must clearly articulate how a non-authoritarian government would offer a viable and compelling alternative to the current regime, particularly in terms of social and economic outcomes.

Regardless of whether or when power formally transfers from Ortega to Murillo, there is no indication that an FSLN government will abandon the market economic model. Following the twin shocks of the 2018 – 2019 political crisis and the COVID-19 pandemic, the Nicaraguan economy has shown relative resilience. Remittances will be a crucial boon moving forward, but future economic activity is likely to be increasingly undermined by deepening corruption as the Ortega family merges with state institutions. A significant reduction in poverty and inequality – Nicaragua remains among the poorest countries in the hemisphere – will be unattainable until a democratic opening occurs, which will be impossible as long as the Ortega-Murillo family retains power.

Fading prospects for political transformation, combined with the economy's middling performance and weak governance, have been reflected in the mass exodus of Nicaraguans. Experts predict that the number of emigrants will taper off slightly in 2025, following a record high in 2024. However, the widespread desire to leave is highly revealing of the country's strategic outlook.