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By Nan McCurdy

Good News in the Financial Arena in Nicaragua: January to September 2022

By Nan McCurdy and Katherine Hoyt

The international main-stream media rarely focuses on good news from Nicaragua, on its achievements in reducing poverty, and maternal and infant mortality, or

on its expansion of health care, education, electrification, water and sewerage, renewable energy, and roadways. However, a recent article published on the [web page of the Center](#) for Strategic and International Studies conceded that Nicaragua had made major advances economically and, in spite of US sanctions, had “rebounded relatively well from Covid-19” and had ensured that Nicaraguans could feed themselves. The article noted that the Nicaraguan economy grew by 10.1% in 2021 and foreign investment increased by 39% from 2020 to 2021 with particular strength in energy and mining. The author remarked on continuing financial support from the Central American Bank for Economic Integration for such things as infrastructure and fuel subsidies. For our readers to review more details about these achievements, we have compiled a summary of financial news from January to September of this year.



Nicaragua and CABEL are currently carrying out 33 projects totaling more than US\$2.5 billion for productive infrastructure, environmental protection and the fight against poverty.

These are some of the major loans contracted by Nicaragua thus far in 2022:

On June 23, 2022, the World Bank approved a loan for US\$116 million to Nicaragua to support the Covid Prevention Plan. Because of US sanctions, the World Bank had not extended loans to Nicaragua in some time. Bank representative Kinnon Scott stated that “the loan is only the second loan by the bank since the start

of the pandemic in 2020. The Bank recognizes the progress made in the public health system and its efforts to guarantee essential medical care for all Nicaraguans.” (*Nicaragua News*, 24 June 2022)

The World Bank also congratulated Nicaragua for excellent project management at its 2022 Spring Meeting. World Bank Vice President Julio Jaramillo stated, “The World Bank would like to congratulate Nicaragua for the excellent management of its project portfolio, a recognition of this is that the country continues to achieve the highest disbursement rate from the World Bank in Central America.” [This is despite sanctions and the US voting against most loans.] (*Nicaragua News*, 25 April, 2020)

Thankfully, to date the Central American Bank for Economic Integration (CABEI) fully recognizes Nicaragua’s excellent project management and has been generous with loans. It recently built one of its [main Central American Offices](#) in Managua.

CABEI President Dante Mossi noted that "Nicaragua, as one of the CABEI founding members and with **a perfect execution rate of its project portfolio**, can always count on the support of the bank for the implementation of social investment programs to eradicate poverty and inequality and mitigate the effects of climate change, improving the quality of life for all Nicaraguans." Nicaragua and CABEI are currently carrying out 33 projects totaling more than US\$2.5 billion for productive infrastructure, environmental protection and the fight against poverty which include building new hospitals, roads, electricity coverage, low-cost housing, as well as water and sanitation facilities. (*Nicaragua News*, 27 Jan. 2022)

Mossi said that "Nicaragua is an excellent executor of a varied portfolio of projects such as roads, noting that "really historic roads are connecting the Caribbean with the Pacific." He added that "Nicaragua is the country

with the best roads and is expanding that network.” He also said that Nicaragua has first-world hospitals: “In fact, people come from other countries to see how these hospitals are being built and managed.” The hospitals are efficiently run, he noted: “If an X-Ray machine is broken, it is quickly replaced or fixed and the public continues to be served.” (*Radio La Primerisima*, 19 May 2022; *Informe Pastran*, 16 May 2022)

A new loan with CABEI was recently approved for US\$383 million to finance more road expansion and will be executed by the Ministry of Transportation. This will improve the quality of life of more than half a million Nicaraguans in nine municipalities in the Pacific and two in the Autonomous Regions with construction of 185 kilometers of roadway. **CABEI** is currently assisting with loans for eight roads, benefiting more than 2.3 million people. For example, CABEI approved a loan of US\$58.7 million to rebuild 60 kilometers of the Muy Muy-Matiguás-Río Blanco highway between the department

of Matagalpa and the North Caribbean Coast. (*Radio La Primerisima*, 18 May 2022)

In June 2022 the CABEL and Nicaragua contracted for a loan of US\$200 million to help cover the rise in fuel prices. In 2022 the government has covered all of the increases in gasoline, diesel, cooking gas, and electricity costs mitigating the effect that high prices have on producers and the final consumers. (*Nicaragua News*, 23 June 2022)

On July 6, Banco Avanz and the CABEL announced the renewal of the global credit line for US\$8 million in support of the economic reactivation of 223 small and medium businesses in the productive, commercial, and service sectors affected by the pandemic. This credit line is part of the Program for Financial Support and Technical Assistance to Small, Medium, and Micro-businesses (MSME's) in Nicaragua which has been implemented since September 2020. (*Nicaragua News*, 7 July 2022)

To support the liquidity management of the central banks of the member countries of the CABEL, the institution approved the expansion of its credit program from US\$200 million to US\$500 million for each eligible country. This increase will enable the central banks to address contingencies and strengthen their liquidity positions, contribute to maintaining the value of their national currencies and the stability of their financial systems. (*Radio La Primerisima*, 17 August 2022)

CABEL announced on September 1st that Nicaragua has made a US\$6.4 million-dollar advance payment corresponding to the third of eight installments of capital of the subscription of 20,400 series "A" within the framework of CABEL's VIII General Capital Increase. CABEL Executive President Dante Mossi stated that "Nicaragua is a reliable and high-quality partner of the Bank and has shown its commitment to strengthen the financial and credit profile of the Institution, consolidating

the role it plays in the midst of the challenging economic context that the Central American region faces”. The Nicaragua Government and CABI are currently putting together a project portfolio totaling more than US\$1.8 billion dollars. (*Nicaragua News*, 2 September 2022)

To enable the participation of the private corporate sector in the development of the economies of the countries that make up the Central American Integration System (SICA), in August 2022 the CABI created the Special Fund for Direct Foreign Investment with an availability of up to US\$200 million. Bank President Mossi said that “with the creation of the Fund the role of CABI as the regional integration bank and bridge to the world is ratified. The goal is to incentivize and facilitate private sector investment in member countries, helping potential investors to overcome barriers established by regulatory agencies of local banks that impede access to financing.”

Financial Stability

The financial rating agency Moody's announced that the credit profile for Nicaragua is B3 stable, supported by the strength of the economy. The report highlights that "the economy has recovered swiftly, registering a 10.3% GDP growth in 2021, due to strict fiscal discipline and historic growth in exports and foreign direct investment." (*Nicaragua News*, 4 April 2022).

The Central Bank published its "First Quarter Gross Domestic Product Report" in June which stated that Nicaragua's GDP registered 5.8% growth during the first quarter of 2022. The economic sectors with the greatest contribution to GDP growth were hotels and restaurants (20.9%), mining (13%), electricity (11.7%), commerce (9.6%), fishery and aquaculture (6.5%), and manufacturing (6.2%). (*Nicaragua News*, 13 June 2022)

The Central Bank presented the Foreign Debt Report corresponding to the first quarter of 2022. The total

external debt was US\$14.5 billion dollars between January and March this year, 0.7% growth over the same period in 2021. Of the total foreign debt, 54.4% corresponded to the public sector and 45.6% to the private sector. (*Nicaragua News*, 28 July 20022)

Remittances

The Central Bank reported that the flow of remittances in the third quarter continued its positive trend, totaling US\$763.6 million, a 44% growth compared to the same quarter of 2021 (US\$529.8 million). Cumulative remittances to June totaled US\$1.39 billion, 35.5% higher than those received during the same period of 2021 (US\$1.03 billion). (*Radio La Primerisima*, 4 August 2022)

Exports

The Nicaragua Export Processing Center (CETREX) reported that exports totaled US\$1.87 billion from

January to June 2022, a 20.5% increase compared to the same period in 2021. CETREX Director Xiomara Mena said that the products with greatest demand on the international market during the period were premium coffee – US\$503 million; gold – US\$494 million; beef – US\$357 million; sugar – US\$90 million; beans – US\$66 million; peanuts – US\$59 million. (*Nicaragua News*, 8 July 2022)

Minimum Wage

A minimum wage increase of 7% for the different economic sectors went into effect March 1st. It was negotiated between government representatives, employers, and union representatives. The minimum wage is adjusted every year according to economic growth and accumulated inflation, as well as the laws of the country. <https://radiolaprimerisima.com/noticias-generales/destacado/reajustan-7-el-salario-minimo/> (*Radio La Primerisima*, 3 Feb. 2022)

Unemployment and Inflation

The International Labor Organization (ILO) presented its report on unemployment entitled “2021 Labor Overview, Latin America and the Caribbean” which states that Nicaragua with 4.8% had the second lowest unemployment rate in Latin America and the Caribbean in 2021, surpassed only by Mexico with 4.3%. (*Nicaragua News*, 3 Feb. 2022)

In August the Bank of Guatemala presented its “Survey of Economic Expectations to the Panel of Private Analysts” corresponding to June 2022. The report states that Nicaragua and Panama, each with 5.2% cumulative inflation rate as of June 2022, have the lowest inflation rates in the Central American region, followed by El Salvador (7.76%); Dominican Republic (9.48%); Costa Rica (10.1%); and Honduras (10.22%). (*Nicaragua News*, 10 August 2022)

Cooperatives

The number of cooperatives has tripled in Nicaragua from 1,722 in 2007 to 6,010 in 2021. Some 500 are headed by women. The government's Creative Economy Model strengthens cooperative organization in all economic sectors to guarantee food security and economic sovereignty. (*Nicaragua News*, 22 Feb. 2022)

New Credit Program for Small Producers

The government officially announced the innovative Adelante Program which will provide loans to thousands of small and medium-scale producers, with an initial revolving fund of US\$80 million. Minister of Finance Iván Acosta said, "It is a highly relevant program for production, development of small businesses, and entrepreneurship. It is going to have an impact on the popular economy. It is the synthesis of a continuous effort to bring credit to thousands of small producers

who contribute to development.” He added, “These sectors guarantee better distribution of income, access to production, markets and financing.” Then, he went on to explain, “Since 2007 we have mobilized millions of dollars that have had an impact on production, trade and consumption with good results.” The Adelante Program will have a portfolio of up to US\$80 million for agriculture, livestock, forestry, fishing and aquaculture, manufacturing, agribusiness, commerce, hotels and restaurants, transportation and communication, among others. (*Informe Pastran*, 17 August 2022)