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Revised

November 18, 2020

**Statement by Mr. Rosen, Ms. Shortino, and Ms. Robitaille on Nicaragua
(Preliminary)
Executive Board Meeting
November 20, 2020**

In line with the October 2020 U.S. Presidential determination regarding the Trafficking Victims Protection Act of 2000 (Act), we will not support Nicaragua's request for an RCF and RFI until the Government of Nicaragua (GoN) complies with the minimum standards for the elimination of trafficking or makes significant efforts to bring itself into compliance with the Act. Further, in line with the Nicaragua Human Rights and Anticorruption Act of 2018 we oppose any IMF assistance to Nicaragua. **The U.S. Chair would like to be recorded as voting "no" on the authorities' request for an RCF and RFI.**

We recognize and appreciate the efforts by staff to design the RCF/RFI in a manner that helps to promote greater transparency and accountability by the authorities. However, the GoN's authoritarian policies have largely driven the social unrest and accompanying economic downturn that began before the pandemic. Indeed, it was just two years ago that President Ortega's forces shot upwards of 300 protesters, imprisoned many more, and drove others into exile. We note that staff highlight a worsening of the pandemic or continuing sanctions as key risks to the outlook. *Does staff believe that further political oppression and social unrest will also impact the economic recovery?* The World Bank and Inter-American Development Bank have been able to design COVID-19 operations that are executed and evaluated entirely outside the government, which is the correct approach in the context of addressing the basic human needs of a population saddled with a repressive and kleptocratic regime, such as presently exists in Nicaragua.

While the authorities have taken fiscal and monetary measures to respond to the pandemic, the approach has been uneven. For example, to increase and diversify its revenue, the government has opportunistically seized on the pandemic to generate revenue. The Ministry of Health—which holds a monopoly on COVID-19 tests after repeatedly denying requests from private medical providers to import and administer tests—announced in July it would charge \$150 (nearly triple the monthly wage for an estimated one-third of all Nicaraguans) to

administer each COVID-19 test, even though the GoN paid nothing to obtain COVID-19 tests since they were either donated or purchased with donated funds. For this reason, we are deeply concerned that the share of this RCF/RFI that is going to the public sector could be misused or redirected to purposes that would not benefit the Nicaraguan people and mitigate the public health crisis.

We welcome that the authorities have agreed to hire an independent external auditor for COVID-10 expenditures. We also take note that a portion of the funds will be directed to outside organizations and that the authorities have committed to an updated safeguards assessment. That said, these are commitments only, and we stress the importance of continued staff engagement to enhance safeguards and closely monitor the usage of the \$90 million provided for budget support. *Per current policy, we understand that the safeguards assessment does not need to be completed prior to the disbursement of this RFI/RCF but would only be completed prior to Board approval of a future arrangement. When does staff anticipate the safeguards assessment will be completed and how will staff ensure completion in the absence of any follow-on program?* We also want to register strong concerns with IMF funds being distributed to a central bank that has not completed a safeguards assessment in more than a decade.

As the staff report notes, Nicaragua remains on the Financial Action Task Force (FATF) grey list as a result of weaknesses in the AML/CFT framework. We welcome that the authorities have agreed to implement reforms under the action plan by May 2021 and encourage continued focus on these issues, including staff's recommendation to update the asset declaration regime. We agree with staff that swift action will be required to mitigate financial stability risks.