

# THE IMPACT OF PROPOSED US FOREIGN ASSISTANCE CUTS:

NICARAGUA'S CIVIL SOCIETY



# Summary findings

The US is the largest supporter of independent civil society in Nicaragua, helping to build the capacity of organizations involved in government accountability, legislative monitoring, women's rights, and other human rights issues. The FY '19 budget proposes a 100% cut to Nicaraguan assistance, including basic education and all support to civil society. Such a withdrawal would likely:

- Severely damage the democracy movement. Without US funding a number of civil society organizations will be forced to close and those that remain will have access to less significantly less support and independent information.
- Weaken women's rights groups, many of whom depend on US assistance.
- Strengthen the grip of the Ortega government.

**PROJECT OBJECTIVE:** To assess, using existing aid information, research, and in-country interviews, the impact of the US foreign assistance cuts proposed in the FY '19 budget. We undertook case studies in four countries – Cambodia, Liberia, Nicaragua, and Senegal – focusing on an important sector in each country. For Nicaragua, we looked at US investments into civil society.

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## ABOUT THESE CASE STUDIES:

These countries were selected according to criteria informed by desk research, expert interviews, and analysis. In each country we focused on one sector and visited each country, conducting a number of interviews with a range of stakeholders. We utilized a common methodology for each to ensure a consistent approach with each country. For more information on our methodology visit: [www.publishwhatyoufund.org/projects/us-foreign-assistance](http://www.publishwhatyoufund.org/projects/us-foreign-assistance).

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# Background

**Nicaragua's economy is growing but it remains the second poorest country in the Western Hemisphere.**

- The Nicaraguan economy is the fourth fastest growing in Latin America and the Caribbean. Its GNI per capita has almost doubled between 2006 (\$1,210) and 2016 (\$2,100).<sup>1</sup>
- Despite progress, the country continues to lag behind its neighbors. Its GNI per capita is roughly one quarter of the regional average, only above that of Haiti. Additionally, although poverty rates have fallen dramatically, latest figures (2014) suggest that 29.6% remain in poverty.<sup>2</sup>

**Nicaragua's democracy has rapidly deteriorated since Daniel Ortega regained the presidency in 2006. Although there is no ban on civil society, interviewees reported regular intimidation.**

- Between 2011 and 2017, Nicaragua slipped in the Economist Intelligence Unit's Democracy Index from 91 to 104, with significant reductions in their scores for electoral pluralism and civil liberties. Further, estimates suggest the number of civil society organizations working to promote democracy has dropped from roughly 500 in 2007 to just 50 in 2015.<sup>3</sup> Since then, the situation has reportedly worsened.
- There is no outright ban on independent political or civil society groups. However, interviewees emphasized the use of "lawful intimidation", where agents of the state – social security officers, tax officials or police officers – search and audit civil society organizations allegedly to intimidate and dissuade activists. As one civil society representative said:

**"They use the law to harm and intimidate. They say who they visit is random, but it's not. It's targeted."**

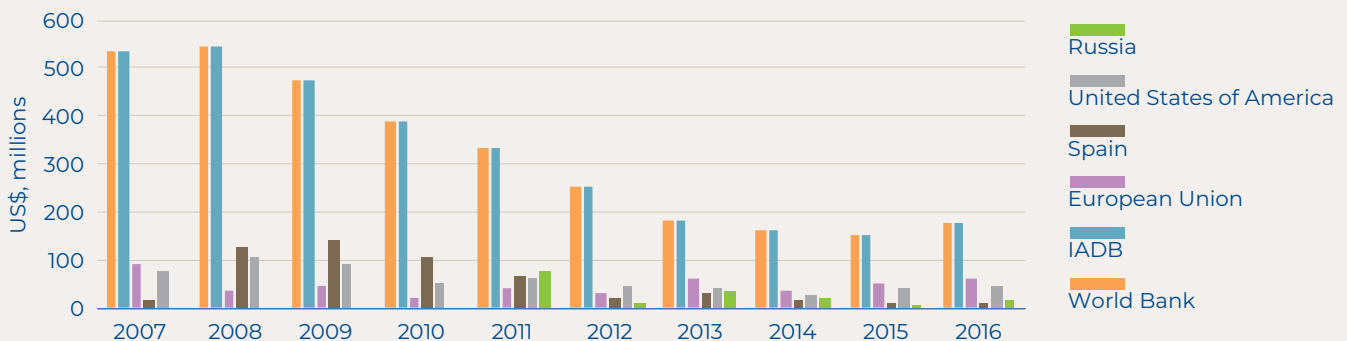
**Over the last 10 years, most donors have significantly reduced their foreign assistance to Nicaragua. At the same time, the government has clamped down on how donors operate as well as whom they can fund. The US is the exception and is currently funding organizations that others cannot. While the US is the largest bilateral donor in Nicaragua, its aid has also been decreasing.**

- Official Development Assistance (ODA) to Nicaragua has dropped from \$837.3m in 2007 to \$430.5m in 2016.<sup>4</sup> The main decrease came from the bilateral donors. Between 2011 and 2013, the Netherlands, Denmark, Sweden and the UK withdrew from Nicaragua, prompted by budget constraints, a re-prioritization to Africa, and concerns over the democratic situation in Nicaragua. The gap was to some extent filled by Russia, who provided assistance to Nicaragua for the first time in 2011 (\$76.6m) and Venezuela who, since 2007, has been supplying oil, half of which is being provided on a highly concessional loan basis.
- The Ortega government believes conditionalities set by donors interfere with domestic sovereignty. Consequently, the government has increased control over the international development sector to ensure it is either the implementing partner or approves donors' plans. Interviewees suggested the government will unofficially veto work in areas it considers sensitive or to civil society organizations it does not like.

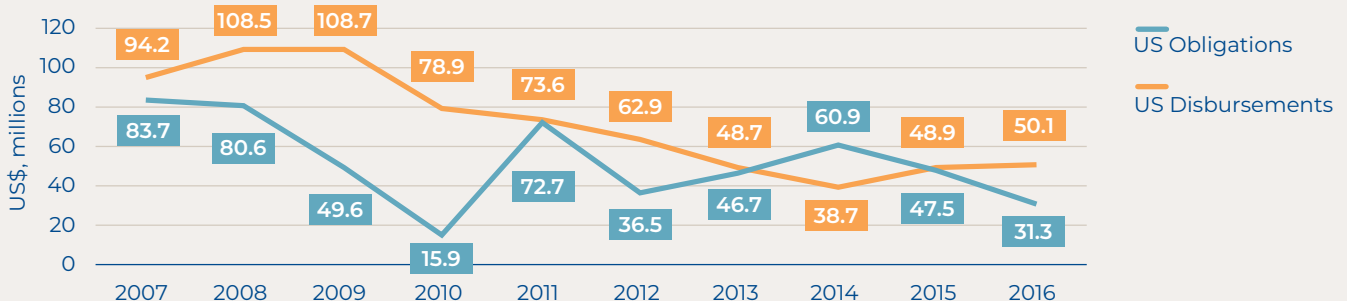
This is heavily criticized by donors and international non-governmental organizations (INGOs), who welcome government ownership but suggest the current attitude is excessively strict.

- The US is the only major donor to disburse funds exclusively through private or non-governmental implementers with no direct Nicaraguan government involvement. The US is not legally permitted to provide funds to the Nicaraguan government under the Consolidated Appropriations Act 2017<sup>5</sup> which prohibits financial support to any country that recognizes the independence of the Georgian regions of Abkhazia and South Ossetia.
- Total US spending to Nicaragua for US FY '16 was \$50.1m. This represents a 39% decrease from 2007 levels. Despite the significance of US funds in Nicaragua, it represents just 0.1% of the overall US assistance spending.<sup>6</sup>
- Despite an overall decrease in US assistance to Nicaragua, funds for civil society programs have typically increased annually. The US has consistently been the largest funder of civil society.
- While the US has no bilateral agreement with the Nicaraguan government, it reportedly shares information on its programs. USAID's current democracy and governance priorities are to:
  - strengthen civil society through advocacy, budget, and revenue raising training, with a focus on supporting women's groups and local community organizations.
  - promote democracy by training young, emerging democratic leaders from all parties.
  - increase citizen support for the right to freedom of expression and access to public information.

### KEY DONOR FINANCING



### US OBLIGATIONS AND DISBURSEMENTS TO NICARAGUA (CONSTANT \$), 2007 - 2016



## MAJOR US PROGRAMS

### Capacity Building for Civil Society Advocacy • 2013 - 2018

This program, now closed, trained CSOs to effectively represent and advocate on behalf of citizens and advised CSOs on how to mobilize citizens to participate in public policy. CSO partners were selected by an open competition. This program was completed earlier in 2018.

### Municipal Governance Program (MGP) • 2010 - 2018

The goal of MGP is to strengthen citizen participation at a grass-roots level by building the capacity of civil society and local organizations to engage and influence local processes, improve local governance, and demand fiscal transparency.

### Democratic Leadership Development • 2010 - 2018

This project brings together Nicaraguan and international institutions to support democratic political processes by strengthening democratic leadership among youth. The project supports the development of a core group of young political leaders that fosters a more transparent, participatory, and democratic society. The program is open to people from all political parties.

### Voices for All (VFA) • 2015 - 2020

VFA is a five-year activity that aims to strengthen the presence of independent media. The goal is to reverse the decline of independent media and strengthen its ability to support credible, non-partisan voices in Nicaragua.

### Lifting Nicaraguan Voices • 2017 - 2022

This program will support the existence of an independent Nicaraguan civil society to effectively advocate for democratic principles, processes, and institutions. This will be accomplished by strengthening the effectiveness of key CSOs through grants, promoting innovations, improving CSO outreach through capacity development, and increased inter-organization collaboration among youth. The project supports the development of a core group of young political leaders that fosters a more transparent, participatory, and democratic society. The program is open to people from all political parties.

# The impact of a US withdrawal

**The FY '19 budget proposal zeros out all bilateral assistance to Nicaragua. Implementing this cut would produce a gap in democracy support that no other donor will fill in the near term and will undermine the grass-roots democracy movement, reduce the level of credible information available, and force a number of organizations to close.**

As the US operates independently of the Nicaraguan government's influence, it is more able than other donors to support sensitive issues such as government accountability, legislative monitoring, the women's movement, and other human rights issues. As a major donor said:

**“The government really wants us to stop funding CSOs. They ask us to present to them the [program] plans so that they can approve or not whether we finance that CSO.”**

Another donor corroborated this and suggested if they were to fund CSOs who might directly challenge government policy they would be “*made persona non grata* within days”.

No definitive reason is given as to why the US is able to operate more freely than most others, but some speculated it was due to US geopolitical strength and its important trading relationship with Nicaragua. None of the seven other major donors interviewed said they could, or were able, to fill a gap left by the US. However, according to one interviewee, there is a slight and uncertain possibility that this will change in the wake of the 2018 protests in Nicaragua.<sup>7</sup>

A large number of civil society organizations, particularly advocacy groups and independent research institutes, said they will likely close or severely reduce scope if the US withdraws.

One independent research institute, for example, noted that staff numbers have already fallen from 24 full time staff to just 13 over the last five years. Further, their dependency on US funding has grown. While the US used to account for 10% of their funding, it now accounts for over 60%. The remainder is mostly self-generated as a consultancy, of which the US is a client.

### **A deliberate shift from national to local support.**

Recently, the US has shifted its focus towards supporting local citizen groups over national campaigns. This is primarily due to the accelerated deterioration of democracy in Nicaragua and the consequent inability of civil society to advocate to the national government. Without support for local activities, there would be a near-total reduction of support for local community groups which:

- foster citizen engagement at a local level and strengthen local accountability mechanisms.
- strengthen the capacity of grass-roots organizations to submit project proposals, monitor budgets, and push for greater fiscal transparency.
- ensure the rights of women, the LGBT community, and other marginalized communities are taken into account and supported.

The US shift to supporting local citizen participation and building local accountability allows democracy and citizen engagement to continue and potentially strengthen if the opportunity arises. Pushing for broad democratic reform and basic rights at the national level, however, has proven less successful and less effective:

**“The organizations that will suffer the most [from a cut] will be the little ones who have no-one else to turn to. Those on the front-line, struggling to keep the idea of democracy alive.”**

**Access to information.** The US has made an active effort to ensure that civil society has access to credible, independent, and accurate information. Civil society representatives highlighted the importance of this in light of the climate of disinformation and alleged data manipulation by the national government.

One grantee is the Voices against Violence (VaV) website, which tracks recorded instances of gender-based violence. Comparisons between this data and government data show a dramatic difference, with VaV claiming there were 51 femicides in 2017<sup>8</sup> and government data suggesting there were only 25.<sup>9</sup>

Another project the US supports is *Transmuni*, which tracks transfers of public funds to municipalities. Analysis of this data demonstrates that municipal budgets approved prior to local elections in October 2017 differ substantially from the budgets granted to municipalities after the election. The seven municipalities where the ruling Sandinista National Liberation Party (FSLN) lost control had their budgets significantly cut, sometimes up to half. Conversely, the nine municipalities where the FSLN gained control saw their budgets increased. The total amounts cut and awarded matched exactly (158,042,417 NIO), indicating a clear exchange of funds. Civil society warned that its ability to hold local and national governments accountable will be significantly curtailed without the funds to independently track resources.

There are some local groups, however, that focus on service provision, such as providing clean water and education. These organizations more often felt they could pursue funds channeled through the government, although they noted this would likely come with “unofficial conditions”. Examples given include only operating in municipalities where President Ortega’s FSLN party is in power, or not challenging government policy.

**“If these cuts are about hurting Ortega, then the strategy is flawed. Aid in Nicaragua is for the people. These cuts will make him stronger.”**

**The US is a major supporter of the women’s movement, while the government reportedly diverts funds from women’s groups.**

Women’s group interviewees expressed extreme concern about the impact of a US withdrawal. Most organizations stated they would likely shut-down due to their financial dependence on the US. This would severely impact some of Nicaragua’s most vulnerable women by undermining advocacy efforts to strengthen their rights and provide sanctuary and counselling services to victims of violence.

Currently, there are few alternative sources of funding. Several women’s groups interviewed emphasized that scarce resources had already led to declining services. One highlighted that they have already closed down roughly twenty support centers – each one of which helped between 1,000 and 5,000 vulnerable women per year. Another said that they have dramatically scaled back their work, with a vast majority of their centers no longer staffing psychologists or lawyers. Moreover, several INGO and donor interviewees highlighted the contentious relationship between the government and the women’s movement. The government tries to dissuade donors from providing funds to women’s groups, leaving the US as one of the few donors able to freely support them.

Women’s rights remain a prevalent issue in Nicaragua, despite the country ranking sixth in the World Economic Forum’s Gender Gap Index. Interviewees from across the spectrum said the ranking does not reflect the worsening reality for women. Many alleged it is based on manipulated statistics and fails to take into account the cultural context of machismo, leaving many women “present but not equal” in the political or working environment. Gender-based violence continues to be of particular concern. According to one source:

**“Every day you see news about gender-based violence. A woman was recently burned alive for being possessed. That happens here in Nicaragua.”**

The US supports women’s organizations through a combination of small grants and capacity building. It supports community activists, who provide shelter, counselling, and legal assistance. It trains activists to monitor and collect data on victims of violence, as well as helping to promote reliable statistics at a local and national level. The US also makes a concerted effort to engage women in their local accountability and government engagement work.

To enable a sustainable transition to self-sufficiency, the US has been placing greater emphasis on supporting women’s groups and other CSO efforts to generate their own funds. For example, with US support, a women’s shelter is now producing and selling merchandise, as well as running a small café, using these funds to support their charitable activities and decreasing their dependence on international assistance.

**The US will lose its presence and strengthen the grip of the Ortega government.**

Interviewees across the spectrum highlighted that the role of the US extends well beyond financial support, to include a morale boost and, more importantly, protection against government intimidation and an unwarranted revocation of their license to operate.

All stakeholder groups expressed considerable concern about the impact of a US withdrawal on Nicaragua’s democracy. Many highlighted that this would strengthen the regime by ensuring that peaceful opposition was silenced and independent services, such as the ability to access identification cards, would no longer exist. The result would be a deepening control on everyday life.

**“Now is not the time to leave. Even with a reduced civic space, we still have brave organizations. If the US cuts its aid now, they put us in the mouth of the wolf.”**

## Notes

- 1 World Bank (2016), World Development Indicators.
- 2 World Bank (2017), Nicaragua Systematic Country Diagnostic: Paving the Way to Faster Growth and Inclusion.
- 3 USAID (2015), Evaluation of Civil Society Strengthening Projects in Nicaragua.
- 4 OECD (2017), OECD-DAC data.
- 5 P.L. 115-31, May 5, 2017.
- 6 USAID Foreign Aid Explorer, see: <https://explorer.usaid.gov/>.
- 7 In April 2018 President Ortega passed a social security reform, as recommended by the IMF. The changes would have required Nicaraguans pay increased contributions but receive decreased benefits. Protests ensued, which grew into anti-Ortega demonstrations. The authorities allegedly used live ammunition on the demonstrators, resulting in scores of injuries and deaths. The decree was subsequently withdrawn.
- 8 Voices Against Violence, see: [www.voces.org.ni](http://www.voces.org.ni).
- 9 Nicaraguan National Police (2018), Map of Violence Against Women in Nicaragua 2016 - 2017.