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## Nicaragua: On New Economic Policy Package

*by Deborah Tyroler*

*Category/Department: General*

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In its Aug. 12 edition, La Prensa reported that President Violeta Barrios de Chamorro's economic team has modified its policy package to enhance its effectiveness. The original plan, announced by Central Bank president Francisco Mayorga, promised to eliminate inflation and currency devaluation and to ensure economic recovery within 100 days of the president's inauguration. In statements to La Prensa, Haroldo Montealegre, economic adviser to the president, said the government is currently developing a 36-month stabilization and structural adjustment program similar to plans adopted by Venezuela, Spain, and Mexico. Montealegre, who also serves as Nicaragua's representative to the World Bank (WB) and the International Monetary Fund (IMF), said the plan's objective is to create conditions which allow for increases in production, employment and wages. The new program would allow Nicaragua to become eligible for foreign commercial bank loans, and to liberalize foreign trade. A "social action plan" is scheduled to commence in September. Structural adjustments include privatization of several state-run enterprises described as non-competitive and deficit-ridden. The companies were reportedly subsidized until 1989 via Soviet aid received by the former administration. According to Montealegre, one month after the program is introduced, "we will do away with" domestically generated inflation, and devaluations will end. Somewhat later, he added, the cordoba oro is to be freely exchanged with the US dollar. Montealegre said expected funds from the World Bank and the IMF are to be used to create "emergency jobs," and to soften the program's negative impact on the poor. Unemployment in Nicaragua is estimated at about 40%. (Basic data from ACAN-EFE, 08/12/90)

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