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NICARAGUA

Transportation Crisis Temporarily Resolved

After two days of intense negotiations the government, bus-drivers, the National Council of Universities and students signed an agreement on 28 Apr aimed at temporarily resolving the current transportation crisis. The agreement established a three-month government subsidy of bus fares, and brought an end to weeks of paralyzing protests and the indefinite freezing of Managua bus services.

Violence in Managua erupted in early Apr as the result of a bus fare hike of \$0.03 (Vol. 24, No. 4). Mayor Dionisio Marengo of the Sandinista National Liberation Front (FSLN), who has the authority to regulate the price of public transport in the city, offered an initial subsidy to bus drivers, which was vetoed by the government and the city council. Following the rejection of the subsidy, Marengo authorized the bus drivers to charge the full \$0.18, only to retract this authorization on 21 Apr. The mayor then threatened to fine drivers who charged the higher fare.

The bus drivers continued to charge the full \$0.18 as protests and violence increased going into the week of 25 Apr. The initial protests earlier in Apr were largely confined to university areas, but by the week of 25 Apr they had expanded to 14 areas in Managua and to other major cities, including Chinandega, Estelí, Matagalpa, Juigalpa, León and Masaya.

During the week of 25 Apr, more than 100 arrests were made, 22 citizens were injured and two policemen were seriously wounded by homemade mortars. Protestors burned two police motorcycles along with numerous buses. Urban bus transport was halted as protestors armed with homemade mortars, rocks and clubs battled police. Of the approximately 90 protestors detained in Managua some will face charges of terrorism, which carry a minimum sentence of two- and-a-half years.

As protests wore on, the initial theme of resisting the bus fares gave way to broader calls against the government of President Enrique Bolaños. Protestors not only rejected the fare increase but also the neoliberal policies of the Bolaños administration and its lack of action regarding the energy crisis.

On 26 Apr, the FSLN-controlled National Workers Front (FNT), led by congressman Gustavo Porras, and the Federation of Health Workers (FETASALUD) organized thousands of supporters to march on the presidential offices. The demonstrators included students, drivers, workers and unemployed people, who demanded an immediate solution to the energy crisis engulfing the country.

As President Bolaños faced the crowd, apparently in order to talk to the leaders of the march, bags of water, rocks, insults and mortar fire rained down on him. According to press sources, a mortar bomb exploded within three or four meters of Bolaños, and his son was struck in the head by a rock, sending him to the hospital.

Although the actual bus fare will remain at \$0.18, the users of Managua's public transport service will pay only \$0.15 for the next three months because of the temporary subsidy. The government will provide slightly more than \$1 million and Managua's local government will provide about \$600,000 to cover the subsidy.

Bolaños Maintains Tenuous Hold on Power

The stability of the Bolaños government was seriously jeopardized in the wake of the violent protests throughout much of the country during the last week of Apr.

On 25 Apr, after a meeting called by Marengo, it was announced that nearly 100 mayors had signed a declaration insisting that Bolaños find a solution to the current crisis or resign as President. The next day, the National Assembly issued a resolution in support of the mayors' declaration.

In the midst of the demonstrations, on 26 Apr, the National Assembly, dominated by the FSLN and the Liberal Constitutional Party, once again approved two highly contentious reforms to the Constitution. The law of Public Service Supervision (SISEP) and a new law regarding property rights greatly diminish presidential power and have been strongly rejected by the Bolaños government (Vol. 24, No. 1).

These reforms coincided with a sharp increase in violence throughout the capital on 25-26 Apr. On 26 Apr, at the request of Bolaños, the Nicaraguan Army's Crisis Group was put on high alert due to violence and political instability. Vice-President José Rizo thought the move inappropriate and counterproductive to the peaceful environment needed in Nicaragua. Sandinista leader Daniel Ortega considered the high alert as a threat that would not shake the people.

As rioting and protests spread, it was increasingly evident that the FSLN was directly behind much of the activity. According to FSLN alternate congressman Filiberto Rodríguez, the demonstrators had distinct demands, "but we are trying to coordinate actions, students, community movements and social sectors."

On 27 Apr, the third day of protests in the northern city of Matagalpa, the secretary of the FSLN Organization of Municipal Committees, Porfirio Soza, was arrested and later released. He allegedly was just passing through the area where arrests were being made.

In response to alleged Sandinista involvement, government representative Julio Vega said he could not rule out the possibility that the president is investigating and considering legal action against Gustavo Porras, a FSLN congressman and leader of the FNT. Porras repeatedly made calls to form a "Front of Popular Struggle" against the neoliberal measures of Bolaños. The government is currently investigating whether this "Popular Front" violates any laws.

In response to the investigation by the Bolaños government, the FSLN Political Secretary in Managua has accused the government of violating citizens' rights to organize, demonstrate and protest, as protected by the Constitution.

As support for Bolaños in Nicaragua is dwindling, he maintains allies in the international community. President Antonio Saca of El Salvador pledged his support to Bolaños and to constitutional order in Nicaragua, saying that if this order is broken it would be terrible for the institutionality of Central America. Other Central American presidents support Bolaños, as does the Organization of American States.

The US also continues its support of Bolaños and is especially concerned about the new law regarding property rights because it will affect the 768 cases of US citizens attempting to reclaim property in Nicaragua. The US Embassy has stated that passing this law would put bilateral cooperation at risk, as well as have a negative impact on bilateral aid.

In mid-Apr the government announced the forced retirement of Francisco Bautista Lara, the deputy director of the National Police, a Sandinista and brother-in-law of Managua's mayor. All that the Minister of Government said about the matter was that Bolaños had lost confidence in Bautista.

Aid to Nicaragua at a Standstill

International Monetary Fund (IMF) representative Humberto Arburú-Neira announced that the government must present an economic program agreement for '05 to the IMF soon if Nicaragua is to be considered during a meeting scheduled for Aug regarding pending loans.

Currently, \$17 million from the IMF, \$35 million from the World Bank and \$35 million from the Inter-American Development Bank is being withheld from Nicaragua as the IMF awaits this program agreement.

Reforms anticipated by the IMF include a new budget expenditure law, a banking reform law, the introduction of a tax code, and a strategy to improve the savings and pension system.

HIPC Relief not Helping the Poor

In Dec '00, Nicaragua became eligible for the Highly Indebted Poor Countries Initiative (HIPC). In Jan '04, nearly 80% of Nicaragua's external debt was forgiven with the goal of freeing funds that could be spent on poverty reduction (Vol. 23, No. 1). Alongside debt relief, there were increased tax revenues in '04, which boosted government income by roughly \$200 million.

The HIPC relief, in addition to increased tax revenue, did not result in increased government spending for poverty reduction. In fact, according to economist Adolfo Acevedo, poverty reduction expenditures dropped by \$7 million from '03 to '04. According to World Bank calculations, education expenditures as a percentage of total government expenditures declined from 11.6% to 11% between '03 and '04, while health expenditures also dropped from 13.4% to 12.7% during the same period.

Much of the income from taxes and the HIPC relief have gone to paying an internal debt that as of Oct '02 stood at roughly \$3.56 billion, according to economist Nestor Avendaño. The debt service is currently costing Nicaraguans around \$300 million annually.

A large part of this internal debt was incurred during the administration of Arnoldo Alemán (PLC) when government funds from the Central Bank were used to cover the costs of a series of fraudulent bank foreclosures in the late '90s (Vol. 19, No. 10). The Central Bank's issuance of CENIS bonds at

20% interest to Nicaragua's two largest private banks, Banpro and Bancentro, was used to compensate the Central Bank for its losses during those bank foreclosures.

Those who benefited most from these schemes were members of the Alemán government and major shareholders of Banpro and Bancentro. Eduardo Montealegre, current presidential precandidate for the Liberal Constitutionalist Party (PLC) and Minister of Foreign Relations, as well as a shareholder in Bancentro at the time the debt was contracted, benefited handsomely from the CENIS bonds. Montealegre also negotiated the agreement with the IMF and the Bolaños government, which determined that the internal debt would be a first priority of the government and that HIPC relief would be used to pay this debt.

In '03, 85% of the tax revenue went toward the internal debt, according to Avendaño. Furthermore, 60% of funds available due to the HIPC debt relief have gone to cover this debt.

—*Alex Carney*