

# ***MESOAMERICA***

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## **NICARAGUA**

### **Natural Disasters Cause Widespread Destruction**

After more than 50 days of Old Testament-type rains that claimed hundreds of lives and destroyed thousands of homes and road infrastructure, President Daniel Ortega was forced to declare a nationwide State of Disaster on 19 Oct, and again appeal to the international community for help.

The last two months of Ortega's government has been a series of natural disasters. First Hurricane Felix tore across the northeastern corner of the country as a category 5 storm on 5 Sep, destroying everything in its path. The hurricane was followed by a series of tropical depressions that in 40-plus days dumped more rain on the northwestern agricultural departments of León and Chinandega than that which fell on the country during the devastating '98 Hurricane Mitch.

As the waters started to recede by the end of Oct, the horrible sanitary conditions left behind led to an almost immediate outbreak of leptospirosis, a bacterial disease that infected more than 3,700 and claimed an additional nine lives.

The grim damage totals after two months of disaster was around 244 lives, 22,000 homes, 37,200 families affected, 155,000 manzanas of crops lost, 45,000 heads of cattle killed and 1,411 km of productive road infrastructure damaged or destroyed.

In the northwestern coffee region of Matagalpa, parts of the city were destroyed. The Rio Grande overflowed its banks for the second time in two months, sweeping through the downtown area and leaving a swath of flood destruction in its wake. In Rivas, communities were totally flooded and isolated from the rest of the country. And thousands of families have been moved to shelters across Nicaragua.

International aid has come in from the US, which has given more than \$4.7 million in humanitarian relief; Venezuela, which sent a ship to Bilwi on 31 Oct with 14,000 sheets of zinc for roof repairs; Cuba, which has sent doctors; France, which recently donated \$400,000; as well as donations from a number of international organizations.

On the Caribbean coast, meanwhile, storm-affected residents are complaining that the aid is not getting through fast enough, and that the aid is being politicized by the Sandinista Front in order to try to win votes in the upcoming '08 municipal elections.

The desperation exploded into violent protest on 30 Oct, when hundreds of mostly indigenous Miskitos stormed and occupied the Bilwi airport, ransacking the storage warehouses for food and supplies. Other groups of anti-Sandinista protesters clashed with members of the local government, headed by a YATAMA faction that has allied with the Sandinista Front.

Another Miskito group, calling itself “YATAMA No Sandinista,” is warning that the situation could get out of control if the government does not change its policies soon, according to group leader Osorno Coleman.

Coleman says there is lots of confusion and rumor regarding relief aid; the population hears reports on the radio that aid has arrived, but then it seems to disappear and the government officials do not offer any information about what is going on, he said. “If the government continues this behavior, there could be more uprisings and it could start to get out of control,” Coleman said.

Victor Manuel Duarte, a Liberal lawmaker from the mining town of Siuna, said he is asking the National Assembly to form a special commission to investigate complaints that the Sandinistas are politicizing relief aid through the controversial Councils of Citizen Power (CPCs). Duarte claims that local party organizers are obliging people to join the CPCs in order to receive aid.

The lawmaker says that if the situation continues, he fears that rearmed contra groups could start to reemerge in the mining triangle.

President Ortega, meanwhile, has taken advantage of the situation to call on the National Assembly and the banking sector to renegotiate payment on the internal debt to free up funds for storm relief efforts. Nicaragua this year is scheduled to dole out between \$235-250 million to pay for a monstrous internal debt incurred due to a banking scandal from inflated Negotiable Investment Certificates (CENIs) sold to cover the collapse of the financial system in '00.

Ortega has long opposed paying for the CENIs, but eventually capitulated for the sake of macroeconomic stability and to prevent potential investor panic caused by the government defaulting on its debts. However, two months of natural disasters have now presented Ortega with an opportunity to again state his case.

Ortega called on the banking sector to “renegotiate [the internal debt] to liberate resources for this catastrophe.”

Ortega, without naming names, also blamed opposition political leader and former presidential candidate Eduardo Montealegre for the CENIs scandal, accusing him and other bankers of “restructuring the interest rate to benefit themselves.”

Other elements of the emergency response and eventual reconstruction are also carrying a clear political tone.

Ortega has made it very clear that reconstruction will come under the banner of ALBA, the alternative trade and development accord between left-leaning Venezuela, Nicaragua, Bolivia and Cuba. Ortega has even dubbed the reconstruction plan as the “Sandino-Bolivar-Martí Plan,” named after the revolutionary liberators of Nicaragua, Venezuela and Cuba.

“We will be victorious, always, as Ché said,” Ortega told Venezuelan President Hugo Chávez, who called to offer assistance following the storm.

Montealegre says the problem with Ortega is that he “sees everything through political eyes.”

Montealegre said he is not opposed to restructuring the internal debt, but that it has to be done so correctly and seriously, without all the political intonations. Otherwise, he warned, it could appear like Nicaragua is not prepared to honor its debts, which would risk the country’s newly-signed program with the International Monetary Fund (IMF) and the investment climate in general.

### **Brighter Days Ahead: Boost in Energy Production Forecast**

The power rationing blackouts that have plagued Nicaragua for almost two years are expected to come to a precarious end on 1 Dec, according to Emilio Rappaccioli, Minister of Mines and Energy.

The expected end to the blackouts is thanks to a substantial boost in energy production from three renewable energy plants that are scheduled to come back online by mid- Nov to make up for the 80 megawatt energy deficit and actually put the beleaguered energy sector in the black for the first time in two years.

The first plant is the ORMAT / MOMOTOMBO geothermal plant, which has been under repairs and offline for months, followed by the San Antonio cane-burning plants that produce energy during the sugarcane harvesting season, and finally, the hydroelectric plant at Apanas Lake, which is now full due to all the recent rains.

By next year, the country’s energy problems should be a thing of the past.

Construction has already started in Managua and Masaya to install a 60-megawatt oil-burning power plant provided earlier this year by Taiwan and Venezuela, and a 120-megawatt plant provided by Cuba and Venezuela. The first plant is expected to go online by next Mar or Apr, and the second by Sep ’08.

After the two new oil-burning power plants come online, work will begin on an additional seven renewable-energy projects—geothermal, hydroelectric and wind—that are scheduled to come online between ’09-’11, providing an additional 180 megawatts of power. There are several other massive energy projects that are still planned for the future.

Nicaragua, which consumes around 500 megawatts hours of energy has been running a deficit between 30-100 megawatts for almost two years, resulting in 2-8 hour power blackouts daily throughout much of the country.

### **Inflation Could Reach 12%**

The soaring cost of living, due in great part to skyrocketing food prices prompted by shortages caused by flooding, could jack inflation up to 12% this year, according to noted independent economist Nestor Avendaño.

After two months of flooding and crop loss, prices of basic staples such as beans, bread and rice have nearly doubled, sending a crippling blow through an impoverished market.

The bean shortage has forced Nicaragua to consider importing more expensive beans from other countries—an unusual move in a country that exported nearly 60 million kilos of beans last year, some 40% of Central America's total bean harvest.

Laura De Clementi, a representative of the UN's Food and Agriculture organization, said: "Around \$3 million is needed for seeds. We have more or less half of that now, to buy seeds for rice and beans."

International help has been promised, but the current levels of price inflation have hit the poor the hardest.

—*Tim Rogers*