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## **U.S. Sticks With Former President George W. Bush-era Policy, Cuts Aid To Nicaragua**

by LADB Staff

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The US cancelled US\$60 million in aid to Nicaragua June 10, continuing a former President George W. Bush sanction left over from December 2008. In May, Nicaragua requested that the US government and the European Union (EU) restart programs financed by the Millennium Challenge Account (MCA). The US said the purpose of the suspension was to force the Nicaraguan government to recount votes in the November 2008 municipal elections, in which opposition parties accused the Sandinista government of fraud. Nicaraguan Vice President Jaime Morales argued the US shutdown of projects only hurt the people, not the government. "We hope the US government reconsiders keeping the MCA program in Nicaragua, because the Nicaraguans will not fight with anyone but will get more cooperation [elsewhere]." The US definitively rejected the plea in June, citing concerns about democracy, rule of law, and free markets. The US\$60 million was cut from a US\$175 million total set aside for Nicaragua. "This decision is made with deep disappointment, as our partnership with Nicaragua has yielded tremendous progress over the past years in reducing poverty through innovative economic-growth projects," said MCA chief executive Rodney Bent. But reducing poverty is not enough for the Millennium Challenge Corporation (MCC). Bent said, regardless of the "tremendous progress," that the MCC would only work with countries where the "governments actively demonstrate a commitment to democracy and the rule of law, as well as economic freedom and social investment." Paradoxically, among the projects cancelled is one that would allow for titling of property, a major highway project, and aid to small agricultural producers, all projects that would have enhanced economic freedom and social investment. President Daniel Ortega dismissed the loss of a lot of money with assurances that he could more than make up for it with aid from Venezuela and its President Hugo Chavez. Chavez is architect of the Alternativa Bolivariana para las Americas (ALBA), of which Nicaragua is a member. It could prove daunting to replace the total amount now that prices have tumbled in crude oil, the Venezuelan wellspring. The US money is not the only pot of gold hanging in the balance. The group of nine European donor countries plus Canada known as the Budget Support Group suspended about US\$70 million in aid at about the same time late last year for the same reason, the allegedly fraudulent election. The Europeans said they would likely follow the US lead on permanent cuts. "If the United States is not going to continue with its programs, that is a very important signal for Nicaragua and one that we will also take very seriously," said Lambert Grijns of the Budget Support Group. Nicaraguan opposition leaders have expressed worry that these two massive losses will trigger others from donors that key off these major ones. The biggest losers, however, are the smallest players, the 5,000 or more campesinos who have been saved from disaster by the aid. Said one, cassava producer Luis Salazar, "Maybe Ortega doesn't need the help, but the poor do, and we're thankful for it." Salazar said he would have gone broke without the programs. Cutting off noses, spiting faces But not everybody is blaming Ortega. International solidarity organizations have lined up against the cutoff of aid with the objection that these projects are supposed to be about economic development and poverty reduction, not politics. The Nicaragua Network, a project of the Alliance for Global Justice (AFGJ), urged a write-in campaign to US legislators to head off the June decision, contending

that the MCA signed an agreement with Managua in 2005 to carry out the projects in Leon and Chinandega and that it needed to honor that agreement and stick to the contracted objectives, which all agree had begun to pay off. Witness for Peace had partnered with the Nicaragua Network in launching a campaign not only to contact legislators but the members of the MCC board as well. The board is composed of the US secretary of state, the secretary of the treasury, the US trade representative (USTR), the administrator of the US Agency for International Development (USAID), the CEO of the MCC, and four public members appointed by the president. The secretary of state is chair, and the treasury secretary is vice chair. Within Nicaragua, president of the Nicaragua-American Chamber of Commerce Cesar Zamora lent his voice in urging that the US "unfreeze as quickly as possible because it affects the poorest people, and the entire world agrees that, in the end, it is the people with the fewest resources who are affected by cutting aid." The pleas came to nothing, but Venezuela did come through with a pledge of US\$50 million in replacement funds, according to Ortega. In announcing the award, Ortega told an outdoor audience of his dismay with US President Barack Obama. "He expresses good will," said Ortega, "but in practice he has the same policies as President [Ronald] Reagan." Reagan became Ortega's first adversary with the launching of the contra war against the Sandinista Revolution in 1981. Ortega cited the "disrespectful" way in which Obama reneged on a bilateral agreement, telling his audience, "The United States had given its word to the people of Nicaragua and in particular to the people of the cities involved in the program." Ortega inveighed against US meddling continuing under its current president, reminding Obama of the US loss of moral force in the region and also of US interference in backing anti-democratic governments in Nicaragua. The US-backed governments from 1990 to 2007, he said, "robbed the people of the right to health, the right to education, the right to decent housing. They privatized the energy industry, the telecommunications industry, the businesses of the workers those were nothing more than acts of corruption." Ortega's attack put Bent on defense. He responded to the speech in a CNN en Espanol interview with denials that the MCC money was being manipulated for political ends beyond the poverty-alleviation purpose. "That's totally false. We want a clean government; we had to act," he argued. Meanwhile, the EU aid package to Nicaragua is still up for discussion. Chief of the European Commission Delegation for Central America and Panama Mendel Goldstein said that continued aid would depend on advances in governability. "We would like there to be in Nicaragua," he said, "freedom of expression and assembly, and that there be no violence against those who demonstrate." Above all, he said the EU wants to see "transparent and free elections with clearly defined conditions for the parties." But as important as these conditions may be, they would not be held up as conditions for aid. Goldstein said on June 16 that discussions on reinstatement of the programs were still ongoing, and it would be Nicaragua that would decide, not the EU, although in the future, aid would be predicated on governability. He said that legislators have recognized that there needs to be reform of the electoral law, general cleanup of the process, reform of the Consejo Supremo Electoral (CSE), and international election observers. Goldstein made clear that the EU is not looking for recounts, or new elections, but rather a commitment to improvement in the future based on recognition from Managua that "there was a problem." Vice President Morales was reported to have agreed to these propositions in principle and to have acknowledged "irregularities" in the election.

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