

US Millennium Challenge Funds Canceled

European Budget Support on Hold

By Katherine Hoyt

Nicaraguan Foreign Minister Samuel Santos said on June 10 that the government's dialogue with the group of donors known as the Budget Support Group had had "no results," leaving up in the air US\$60 million in support for Nicaragua's budget for fiscal 2008 and an unspecified amount for fiscal 2009 which begins July 1. The Budget Support Group is composed of the European Commission of the EU, the United Kingdom, Finland, Switzerland, Germany, the Netherlands, Norway, the Inter-American Development Bank and the World Bank. Budget support funds are important to a country's budget because they can be used wherever they are needed.



Foreign Minister Samuel Santos said that talks with the Budget Support Group over resumption of aid had had "no results."

One of the conditions set by the donors for renewal of the budget support funds, according to Bayardo Arce, economic advisor to President Daniel Ortega, "is perfecting the electoral system and that includes reviewing the composition of the Supreme Electoral Council (CSE)." Evidently a change in the electoral system that includes the independence of the CSE has emerged as a possible way out of the logjam that emerged when opposition parties and groups alleged fraud in the municipal elections of Nov. 2008 and donor countries suspended aid.

The CSE and Ortega have denied fraud and have said that there is no possibility of revisiting the elections where mayors and city councils have now been in office for months. It is unclear whether the Ortega government would accept this proposal which looks to the future rather than the past and, in fact, whether it is the only condition for renewal of Budget Support aid or if there are other conditions as well.

In the case of the U.S. government's Millennium Challenge Corporation money, which was also suspended after the Nov. 2008 elections, the decision was made on June 10 to cancel future aid to Nicaragua under the program. Projects already contracted will continue but US\$62 million for projects not yet contracted will not be disbursed and no funds will be allocated for the

coming year. Acting Chief Executive Officer for the MCC Board Rodney Bent said, "Although the Board would like to continue in full MCC's support for Nicaragua's economic development, we remain committed to upholding MCC's funding principles of working with those countries whose governments actively demonstrate a commitment to democracy and the rule of law."

Ortega responded to the announcement by saying that the aid was canceled because "we don't do what the yanqui wants; the yanqui wanted for mayor of Managua someone who had stolen from the people [Eduardo Montealegre] and the people chose Alexis Argüello." On June 12, Ortega announced the creation of the ALBA-Solidaria Program as a mechanism to use the funds from the cooperative trade association ALBA to complete the programs that will not be carried out because of the cancellation of the MCC funds.

Montealegre answered saying, “We all know that it is a lie that the funds from [Venezuelan President] Hugo Chavez are going to arrive to benefit the people. They are going to finance the give-aways to Ortega supporters and businesses close to the presidential family.” The United Nations Food and Agriculture Organization recently affirmed Ortega government programs had reduced malnutrition from 52% to 22% in its two years in office calling it the greatest increase in food security in Central America.

Arce told journalists that U.S. officials had said that of all the countries that were beneficiaries of the MCA program, Nicaragua was the most efficient and responsible in its execution of the projects. Therefore, he added, the decision was based entirely on politics. He said, “The decision is incorrect because our management has been efficient; it is unjust because the basis for making the judgment is that supposedly there was fraud in the electoral process, which they themselves did not verify.”



Jobs for rural road improvement were among those lost when Millennium Challenge Grant funds were cut off.

The Nicaraguan-American Chamber of Commerce lamented the cancellation and wrote to U.S. Secretary of State Hilary Clinton saying that the organization would hope to see the aid “automatically renewed” if the next elections (scheduled for 2011) are free and fair.

The Nicaragua Network rejects US and other foreign interference in Nicaragua’s sovereign affairs. Claims of fraud, except in a handful of precincts, were not submitted through legal channels by which a

determination of their merits could have been adjudicated. That makes it impossible for outside observers to make a judgment about whether a significant level of fraud existed. Opponents of the Ortega government instead “tried” their claims in the media and foreign capitals, in some cases calling for aid to be cut to their own country which remains the second poorest in Latin America.

The Nicaragua Network mobilized grassroots actions focused on the Millennium Challenge board, unsuccessfully making the argument that cutting development aid would only hurt the poor. Other U.S. assistance, which does not have the political conditions that the Bush administration put on the Millennium Challenge funds, has continued to Ortega government anti-poverty programs.